THE LIBERTARIAN REVIEW
July/August 1979
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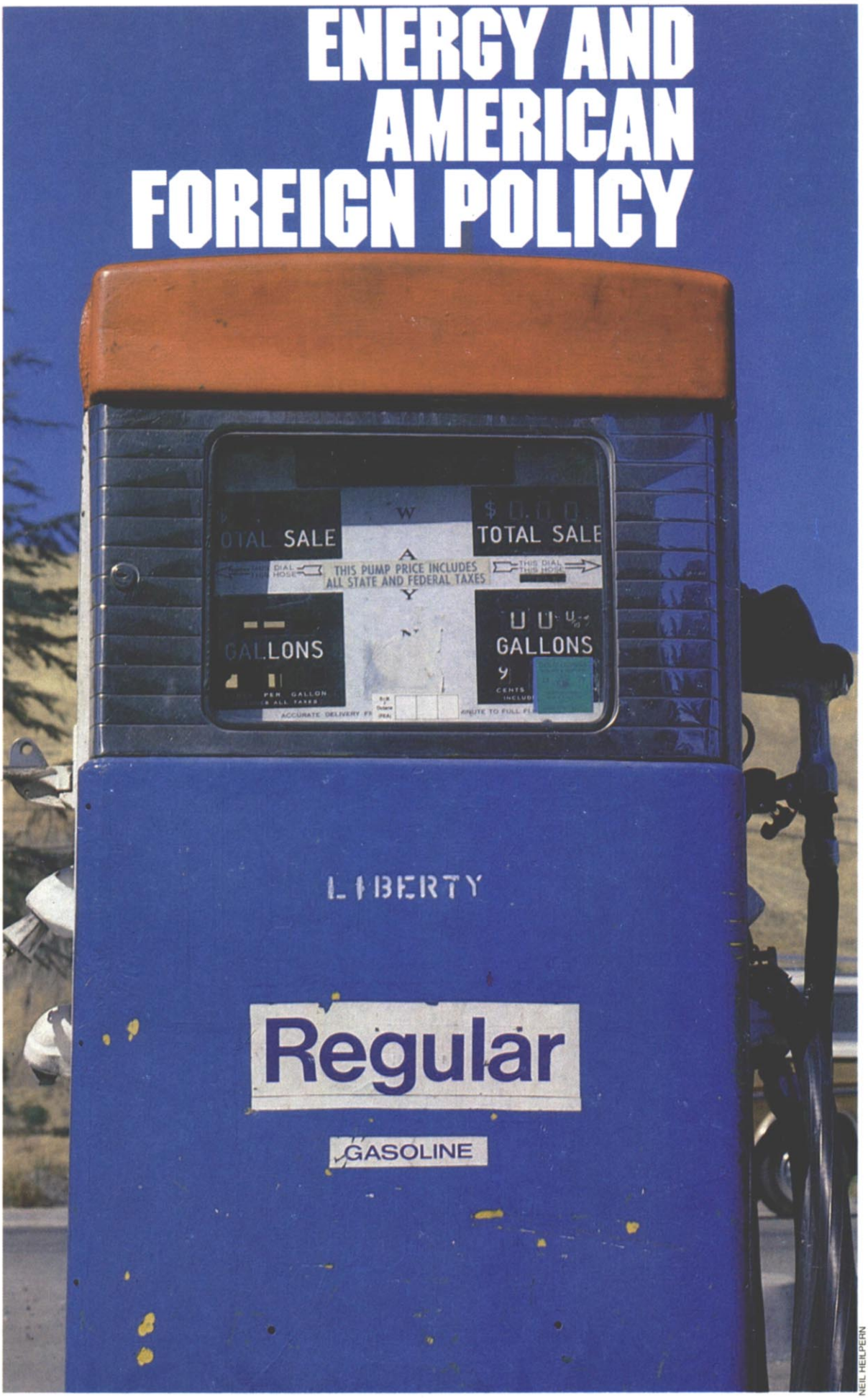
LIBERTARIAN

ENERGY AND AMERICAN FOREIGN POLICY



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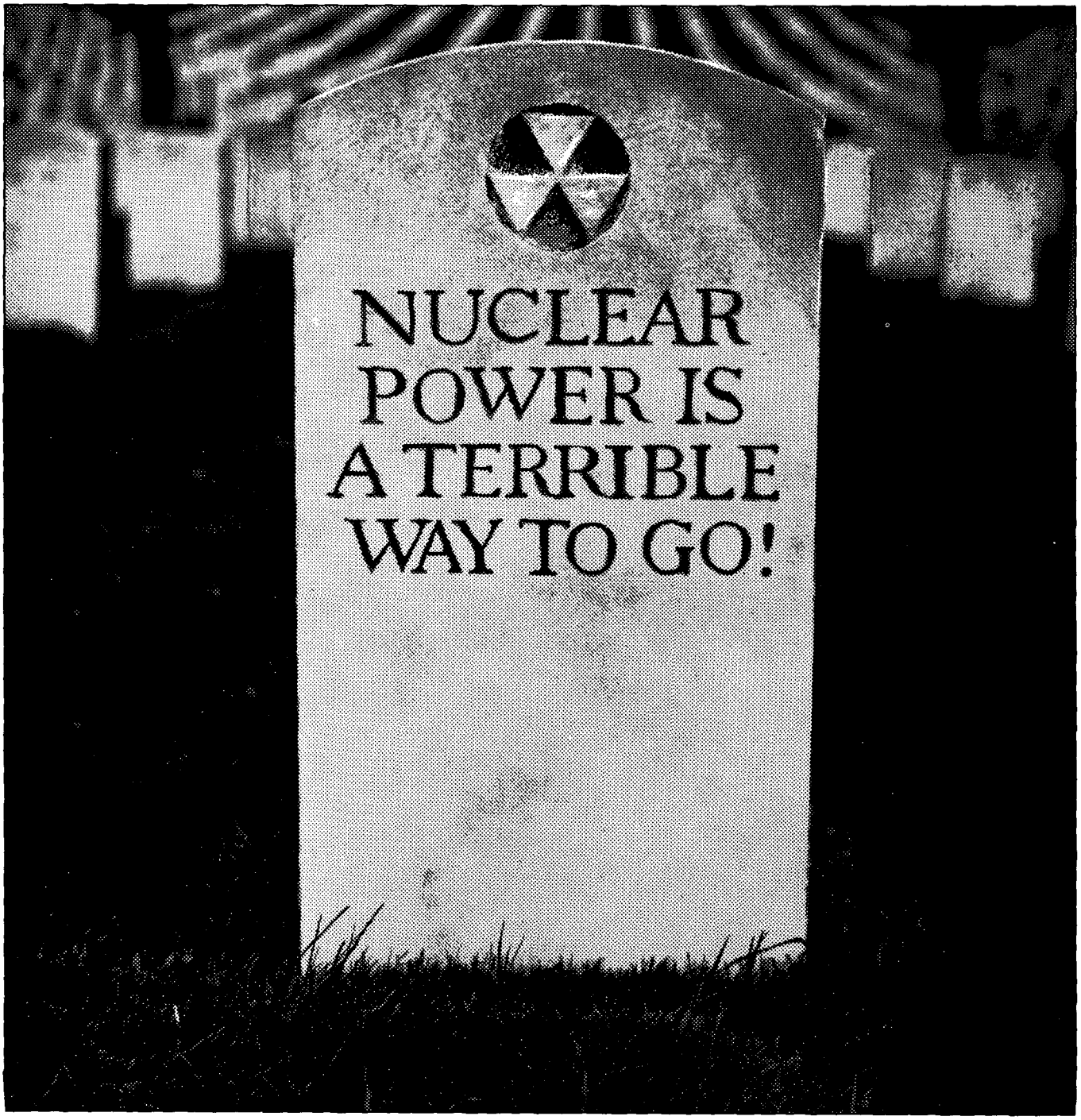

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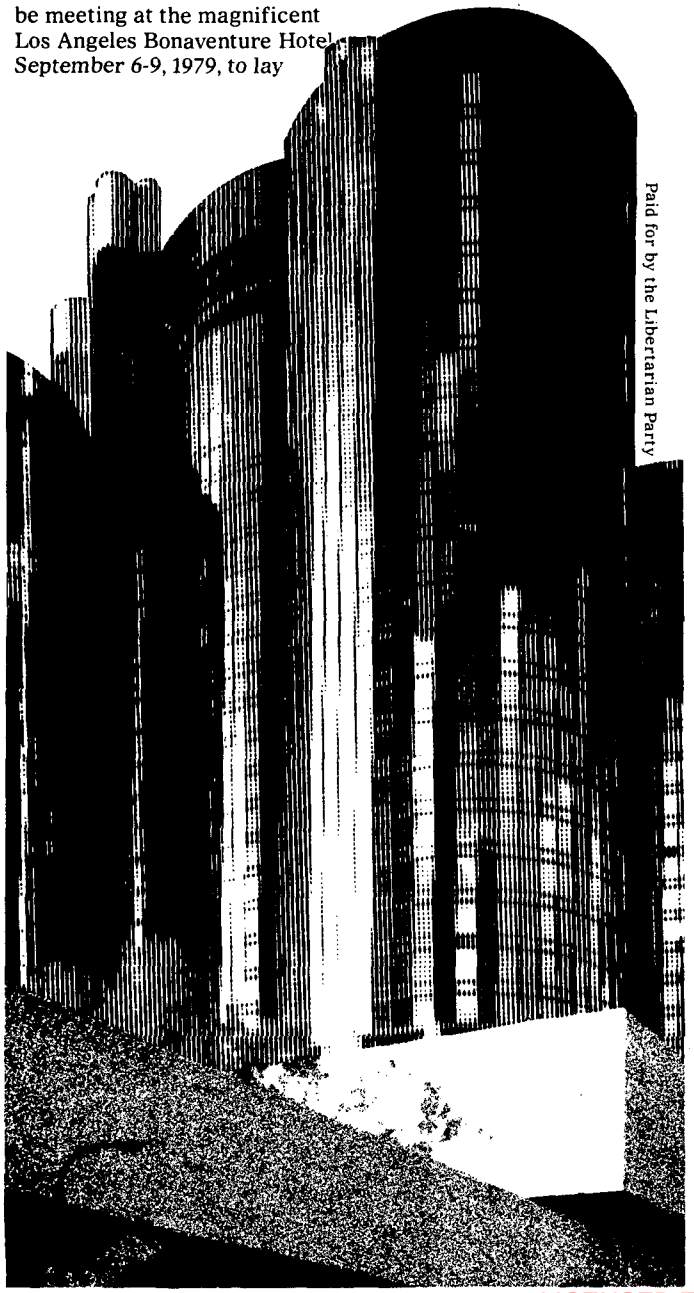

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THE LIBERTARIAN REVIEW
July/August 1979
Volume 8, No. 6

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THE LIBERTARIAN EDITORIALS

Night of fury

IT IS DIFFICULT to overestimate the importance of what has gone on here in San Francisco in the past few weeks: the coming of age of the gay movement in this country, the coming of age of the Libertarian Party and the libertarian movement in this city. For those unfortunate enough to live somewhere other than in San Francisco, we should relate the events, and assess their meaning.

It was an explosion of rage, anger, and indignation. On November 27, 1978, Dan White, a prominent San Francisco ex-policeman, -fireman, and -County Supervisor committed two acts of cold blooded murder. It was a political squabble: White was a reactionary, emotional, homophobic, bigoted man who had resigned his seat on San Francisco's Board of Supervisors in a huff. He wasn't making enough money, and the difficulties of starting a small business on the side were draining him and leading him into conflicts with his wife. A few days after he resigned, he changed his mind and tried to get San Francisco mayor George Moscone to reappoint him to his then vacant seat. Moscone initially agreed, but —as anti-White public opinion began to materialize—he changed his mind. Working against the bigot White was Harvey Milk, the supervisor who was probably the most famous gay political figure in America. Milk was a liberal who had most of the faults of political liberals, but he was deeply loved by the gay community, and his benevolent warmth made him a symbol of the freedom and openness which gay people have so deeply longed for. It was the most natural thing in the world for Harvey Milk to oppose Dan White's reappointment, and the struggle was naturally a bitter one. Dan White lost. Mayor George Moscone, one of the gay community's best friends in this city and a voice for tolerance, announced his intention to appoint someone else to fill the vacancy.

Dan White was stunned. On November 27, 1978, he pocketed his carefully loaded service revolver, along with enough bullets to empty his gun once and load it again. He made his way into San Francisco's City Hall through a basement window, to evade the metal detector in the City Hall's lobby, and approached the office of the mayor. Confronting Moscone, White became bitter, pulled out his gun, and blasted the mayor three times. Then, in a coup de grace, he carefully fired two more bullets into the back of Moscone's head, execution-style. White then calmly reloaded his revolver, walked over to the office of Harvey Milk, and finished him off in the same way: two bullets to the body, two more in the back of the head. Then White waltzed off to church, turning himself in to his friends the police a few hours later, admitting what he had done in an interrogation which must surely be the mildest ever seen in a murder case. But White's friends in the police department obviously didn't want to upset the poor man.

The trial became something of a media event in San Francisco. The defense, as Leslee Newman points out in the editorial that follows, argued that White suffered from depression and "diminished capacity," and brought in four psychiatrists to testify on his behalf. The defense attorney made a conscious effort to keep gays off the jury, preferring instead people of a straight, white, middle-class "background" like White himself.

And they let him get away with murder. The afternoon of Monday, May 21, they brought in a verdict of guilty of voluntary manslaughter, on the grounds of "diminished capacity," and let the assassin off with a slap on the wrist—a verdict which is likely to see Dan White out on the streets again in less than five years.

That night the city exploded. What began as a peaceful march of protest, largely by the gay community, ended in outrage and violence as thousands of gay people, reaching city hall, exploded in indignation and began taking the building apart, stone by stone. Police rushed to the defense of City Hall, and a riot slashed through the area around the building: it was the worst police riot, said the editor of the Berkeley Barb, that he had seen in a decade. Cops began clubbing people at random, viciously enjoying themselves in a battle against gays. Innocent people were clubbed down when they were found standing alone. An epileptic who was a few blocks away, in no way connected with the riot, screamed that he was epileptic when police began battering him, but they continued their brutality, landing the young gay man in a hospital. "We're going to kill you goddamn queers," they said as they struck at him again and again. They smashed the faces of media people, breaking television cameras. The violence grew: more than a dozen police cars were burned by an angry mob which turned the cars over like so many toys. Protestors yanked parking meters out of the cement and

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"The city exploded; more than a dozen police cars were burned by an angry mob which turned them over like so many toys."

used them as battering rams, charging at City Hall with a righteous vengeance. The cops battered them again and again, and again and again the protestors charged ahead, fighting back. When the riot broke up shortly after one that morning, the police got even more deadly serious. They decided to occupy the Castro district, the San Francisco gay community of which homosexuals are fiercely and territorially proud. The police marched into Castro like an occupying army, thirsting for blood. A dozen cops broke away from the main contingent, and ran shouting "Sieg Heil" into a prominent gay bar, the Elephant Walk, there to break up furniture, club bar patrons at random, do savage violence to the people and their property, and scream about "killing the queers," as their nightsticks crashed into bone and flesh.

Well, the "queers" would have none of it. They rose up again, this time meaning business, flooding the streets of the Castro district, and literally drove the cops out of their neighborhood. The invaders had been beaten back, and the gays who defended themselves were mighty proud that night, defiantly willing to stand up for themselves and to end their oppression, once and for all. The next night, a gigantic birthday party was held for the late Harvey Milk in the Castro area, and the streets were flooded with ten thousand gay people who felt liberated, proud, and filled with love and affection for themselves and each other. There was not a policeman to be seen, and the most glorious love-in filled the streets. Heads and voices were raised, and gay people were not about to plead any longer for their basic rights. They had a right to their own lifestyles, and no one—*no one*—was going to tell them otherwise.

The New Republic's Paul Robinson was almost alone among periodicals in understanding what had happened on those nights:

> The riot marked a significant moment in the evolution of political awareness among homosexuals. The May 21 riot was political in two senses: first, it explicitly addressed the issue of justice, which, if we follow Plato, is the most fundamental category of political analysis. The crowd at City Hall shouted repeatedly, "We want justice." Second, it required abstraction. The individuals who rioted, unlike those who protested police harassment at the Stonewall, a gay bar in New York City, 10 years ago, did not themselves face any immediate or tangible imposition. They had to think abstractly, indeed almost technically, to get from a verdict of voluntary manslaughter to their act of civil disobedience. Reasoning of this sort presumes that a significant group in the population has become aware not merely of its own existence, but also of its rights and power. The riot, I can't help feeling, marks a kind of political coming of age for homosexuals in San Francisco and, vicariously, throughout the country.

Robinson concluded that "like last year's legislative struggle over gay rights, the Dan White affair has served, paradoxically, as a vehicle for homosexual liberation. One should merely avoid underestimating the intellectual and, above all, psychological difficulties that liberation poses for heterosexuals." Now *that* is an analysis.

But note something unusual here: here was a riot staged by the gay community—usually identified with liberal politics—which was aimed against a *lenient verdict* by the judicial system. Here was no liberal pretense, no handwringing about Dan White's "problems," no sobbing calls for "understanding." Here instead was a damn strong feeling of outrage and betrayal. Some people have charged the gays with a self-interested motive here. Well *of course*! And what the hell is wrong with that? That night the gay community didn't just step out of the closet, once and for all. That night gays stepped out of the liberal political constituency as well, issuing their collective declaration of independence. That night, liberals had nothing to offer them.

Libertarians did, however. It was American psychiatry which had helped get Dan White off with a slap on the wrist for his assassinations—it was the testimony of psychiatrists which convinced the jury to go for a "diminished capacity" voluntary manslaughter verdict. And the world's leading critic of institutional psychiatry just happens to be a libertarian: Dr. Thomas Szasz, the author of *The Myth of Mental Illness, The Manufacture of Madness,*

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Law, Liberty and Psychiatry and a host of other works. Responding quickly, San Francisco libertarians decided to bring Thomas Szasz to the city for a major rally at which he would speak out on the Dan White verdict. The idea was born simultaneously in several minds at once: Ronald Hamowy, consulting editor of *Inquiry,* Justin Raimondo of Students for a Libertarian Society, and others. We called Szasz, and were greeted by his virtually boyish enthusiasm for the project. He agreed to do it: to come to San Francisco Tuesday June 19, the day scheduled for Dan White's sentencing, and speak out on the verdict.

San Francisco libertarians sprang into action. I coordinated the event, with media whiz Eric Garris, also of SLS. We plastered the city with advertising: full page ads in community and gay newspapers, public service announcements, posters, and radio commercials. Szasz appeared on countless radio and television stations, in news conferences, on talk shows, and on the evening news. Tension filled the air as the date approached: our posters and ads were everywhere. One striking poster, the work of LR art director Melanie Price, was done in stark red and black and announced "'Dan White Got Away With Murder. American Psychiatry Helped Him to Do It.'—Thomas Szasz speaks out on the Dan White Verdict." It had an explosive impact on everyone who saw it, and the city began to talk about the event days before it was to happen. Szasz was everywhere, espousing the libertarian viewpoint: that victimless crimes should be legalized, that people should not be victimized because of their lifestyles, and that people who *do* commit violent crimes deserve to be punished. Szasz also offered his simple and elegant critique of American psychiatry as "Dan White's accomplice in crime." "While White pulled the trigger on the gun that killed Moscone and Milk," he said, "American psychiatry pulled the wool over the eyes of lawmakers and journalists and the public—leading to the courtroom scenario of psychiatrists lying through their teeth and having their lies legitimized by the courts as 'expert medical testimony.'" Szasz's charge was explosive: that first the psychiatrists go into court to get the innocent committed, and then go back into court to get the guilty off. It was the right argument at the right time, and everyone—media and public alike—seemed suddenly to understand what we had been saying all along.

The rally was an overwhelming success: nearly two thousand people crowded into a high school auditorium to hear Szasz, along with San Francisco County Supervisor Carol Ruth Silver, Libertarian Party candidate for District Attorney Bart Lee, gay libertarian activist Justin Raimondo, Eric Garris, coordinator of the Libertarian Party petition drive to abolish the San Francisco vice squad and to abolish victimless crime laws, and Ed Clark, the 1978 Libertarian Party candidate for governor of California. Nonlibertarian Carol Ruth Silver kicked off the evening with lavish praise for the Libertarian Party and Students for a Libertarian Society, which had co-sponsored the event, stating openly that the libertarians were the only group today raising the important issues of our time.

At first the crowd looked to be hostile to so many libertarian speakers: they bristled a bit when the speakers were announced. But then, one by one, the speakers won them over. It was absolutely, totally clear to them that we were not there to manipulate them in any way, shape or form. We were there because we shared their anger and outrage, and had something different to say about the events that had taken place. Chairperson Christine Dorffi of the San Francisco LP made a forceful MC; Eric Garris talked about the vice squad initiative, and the crowd warmed up; Bart Lee launched into a bitter attack on the San Francisco District Attorney, who had virtually thrown the case by putting up a fantastically weak prosecution of ex-policeman White. The audience loved it. Justin Raimondo electrified the audience with a defense of the *gains* of May 21: this audacious person, they thought, is actually defending our right of *self defense.* Ed Clark delivered a moving talk on the meaning of libertarianism and its relationship to the Dan White verdict, ending in a plea for tolerance of people's diverse lifestyles, and then presenting a rousing introduction of Thomas Szasz, who was greeted enthusiastically.

The Szasz talk—which will be printed in *Inquiry* magazine—was a masterpiece, written by Szasz with helpful suggestions from *Inquiry*'s Ralph Raico. It was Szasz at his witty, courageous and forceful best, making point after point, as the audience built up wave after wave of wild enthusiasm, breaking out dozens of times with massive applause. Watching him as a friend and admirer, I could only marvel at this man who has more courage than anyone else I know. He was awesome, brilliant, flamboyant, warm and incisive. He overwhelmed the audience, and at the end of his talk was greeted with a massive standing ovation. The audience had fallen in love with him. He fielded questions long into the night, and was surrounded by dozens of people who simply wanted to be near this delightful and loving human being. The media were awestruck by Tom Szasz and decided then and there that the libertarian movement was *important*.

That night, libertarianism came of age in the city of San Francisco. For days people who were at the event spoke about little else, impressed with the Libertarian Party and the libertarian movement as they had never been before. We became a force in the community, *not* by cynically manipulating an event, but by courageously speaking out to clear up the confusion and rage that people had felt after the verdict was announced. We shared the values of the people in San Francisco. We spoke out strongly. And we were heard. For the first time, we were heard clearly and distinctly. Suddenly, we made sense.

There is no question now that libertarianism is going to be a major force in San Francisco politics, and that our influence is going to spread very quickly over the next few years as we forcefully speak out on the issues and concerns of the American people. Our affectionate and often bemused acceptance of gay people as human beings deserving of tolerance and dignity and freedom has caused them to listen to us, and to hear us, and no one should underestimate the importance of that fact. We must now address the other concerns of other segments of Americans just as forcefully and courageously. We must speak out at every public forum, before every group, and we must rise before the most hostile audiences and make them understand the importance and fantastic beauty of our libertarian vision. There can be no stepping back from the challenge. If we take it, the results are going to resound, not for months or years, but for centuries. We are *practical visionaries*, and Liberty has come of age.

—RAC

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NEIL HEILPERN

"Szasz fielded questions long into the night, and was surrounded by dozens of people who had suddenly realized that the libertarian movement was *important*."

Guest Editorial

Bringing on the twinkies

"WHENEVER HE FELT things were not going right, he would abandon his usual program of exercise and good nutrition and start gorging himself on junk foods—Twinkies, Coca-Cola. He'd hit the chocolate, and the more he consumed, the worse he'd feel, and he'd respond to his depression by consuming ever more junk food. He just sat there before the TV, bringing on the Twinkies. He couldn't sleep. He was tossing and turning on the couch in the living room so he wouldn't disturb his wife in the bed. He was dazed, confused, had crying spells, became increasingly ill, and wanted to be left alone." He told his wife not to cook; he would just munch potato chips.

There you have it—some excerpts from the testimony of psychiatrist Dr. Martin Blinder in the trial of Dan White, the former San Francisco County Supervisor who took the lives of San Francisco Mayor George Moscone and fellow Supervisor Harvey Milk last November. By commonsense standards, it's obvious White was upset and depressed. But this psychiatric testimony convinced a jury to mitigate White's crime from murder to voluntary manslaughter, with its accompanying lesser penalty—even though Dr. Martin Blinder, an Assistant Clinical Professor of Psychiatry at the University of California, an Assistant Professor of Law at Hastings College, and an Assistant Editor of the *American Journal of Psychiatry and Law,* had begun his testimony by laying a foundation for his "abhorrence of the abuse of psychiatry in the courtroom." He told the jurors: "I think the courts, at least some aspects of the courts, tend to place psychiatry in a position where it doesn't belong." He went on to describe a class he teaches at Hastings College of Law in the use and abuse of psychiatry in the courtroom. Then he began to describe Dan White's mind as confused, emotionally drained from the effects of his depression and eating habits. Blinder helped to convince the jury that White probably could not have premeditated, probably could not have deliberated, probably could not have formed the intent to kill his victims. And he wasn't alone—Blinder was assisted by four other psychiatrists and psychologists for the defense. None of them attempted the same junk food trick, but each played on White's stress, his tendency toward manic depression, and made excuses for his behavior. Thus he was described in further psychiatric testimony, which touched on his many fights as a teenager, as a "defender of the rights of others," rather than as a bully. He was said to have left the San Francisco Police Department "because he didn't get enough support from his superiors." He was described as ambivalent about assuming marital responsibilities "because of family pressures." He became a San Francisco Supervisor "so he could protect citizens in the streets"; he resigned because "City Hill was corrupt." He wanted to be a free spirit, *a la* Jack London, yet he wanted to be a responsible citizen.

Poor Dan White. So he was in conflict. And every time things got rough—his jobs, his marriage; he turned away. He had difficulty assuming responsibility or being a witness to the facts of life. So why did he choose to return to the San Francisco Police Department after his leave of absence? Why did he choose to marry and have a child? Why did he choose to become a San Francisco Supervisor and insist that he be reappointed after his resignation of only a few days before? Poor Dan White. The psychiatrists and psychologists tried to convince the jury that he shouldn't be held responsible for his acts, not even the killing of Moscone and Milk. He was just a victim of modern life.

Common sense should have told that jury that the whole judicial affair was really a farce. It's too obvious that one does not just grab a gun and exactly the right amount of ammunition to load it twice, as White did on that fateful day in November, unless one has a purpose. One does not climb in through a side window of City Hall in order to avoid a metal detector, as White did, without a reason. One does not reload one's gun between shootings, and shoot each victim separately, using the same pattern of execution—two to three bullets to the chest, and two more in the head once the victim has been felled. One does not do these things unless there is some motivation, some plan of action. It's not just reflex and it doesn't happen as if in a dream, as Dan White's psychiatrists and psychologists told the jury. Yet, Dr. Martin Blinder and his psychiatric entourage were convincing enough to make the jury believe that Dan White could not have committed the killings of Moscone and Milk in cold blood. The use of psychiatric testimony in the courtroom is making the judicial process a sham. The jury in the Dan White case were offered Dan's Twinkies, candy bars, and chocolate, and obediently gobbled them up. ❑

—Leslee J. Newman

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OPENING SHOTS

BILL BIRMINGHAM

NEVER LET IT BE said that economists have no compassion for the poor and downtrodden; especially not of Professor Armen Alchian, the very embodiment of free-market economics at UCLA. "Give me a capsule that will magically clean all the air in Los Angeles if I crush it," an article in *Fortune* (May 21, 1979) quotes Dr. Alchian as saying. "Beg me to crush it. No, I won't crush it, *I won't crush the capsule.* Because if I do, poor blacks will have to pay $20 a month more for land rental. Why? Because clean air increases the demand for residences and helps the landlord. . . . But the black in Watts, already used to living with bad air, *loses* his discount for doing that. Think about it." Indeed. And for extra credit, think about whether the good doctor, in the fullness of his compassion for the poor, would also refuse to crush a capsule that would magically eliminate mugging. Mugging the whole man, that is; not just his eyes and lungs.

As the battle against sexist usage in the English language slogs on to victory, *Ms.* magazine reports that sign language too is replete with "sexist implications." American sign language "indicates male pronouns by a combination of hand gestures and references to the brain area. The female pronouns are formed by referring to the lower facial areas." The official explanation—that the signs derive, respectively, from the gestures of tipping a hat and tying a bonnet—will surely fail to appease those who wax wroth over *man*holes. Italian sign language, *Ms.* asserts, is even "more explicit" in its prejudices. "The sign for 'woman' is the cupping of the hands above and below the breasts; the sign for 'man' is the twirling of an imaginary mustache!"

Come September 1, if all goes well, the state of New Jersey will lower the age of consent for sexual relations to 13. That's the day New Jersey's new penal code goes into effect, permitting those 13 or older to couple *ad libitum* with anyone not a relative, guardian, or in a "supervisory" position such as teacher or employer. The provision has the support of the New Jersey State Coalition Against Rape and the National Organization for Women's Rape Task Force. "The lowering of the age of consent," the two groups declared in a joint statement, "was based upon statistical information which supports the reality that there are increasing numbers of sexually active teenagers of 16 years of age and under." But when did reality ever count for anything in the field of victimless crimes? Four state legislators have already introduced a bill that would punish sex with a partner 13 to 16 years of age with seven years in prison, which just happens to be the penalty in New Jersey for such crimes as arson and kidnaping.

Speaking at "If Women Planned the World," the fourth annual University of Southern California conference on women in planning and government, *Ms.* editor Gloria Steinem opined that "capitalism is an especially pernicious subform of patriarchy. Capital distances men and women." Earlier, she had mentioned that a *People* magazine survey on potential presidential candidates listed her as tied with Richard Nixon, which La Steinem claimed proves that "being a woman is still about the same as being an unindicted coconspirator." Or at least that being a fool is now about the same as being a knave.

"It has become plain," notes the incomparable Alexander Cockburn of the *Village Voice*, "that Carter is an anal retentive and now we have in hand a practical rendition of this psychological characteristic." When our president served in the Navy, it seems, he helped dismantle a nuclear reactor core at Chalk River, Ontario, and in the process received one year's permissible dose of radiation in just two minutes. "For a year afterward, he had to save his urine and faeces for radiation tests," says Cockburn. "These things leave their mark on a man."

In our last issue, yr hmbl srvnt lamented the fact that the evil Shah of Iran had not yet perished by the sword. And lo! the Ayatollah Sadegh Khalkhali, head of Tehran's revolutionary tribunal, has put out an open contract on the former monarch and his retinue. Anyone who wishes to assassinate the Shah, ex-prime minister Bakhtiar, or certain of the Shah's odious relatives will be considered "an agent of the Islamic Revolutionary Court," carrying out its verdict. The Court apparently isn't offering any reward to its volunteer agents, but according to *Time* magazine "The owner of an Iranian newspaper offered an all-expense paid pilgrimage to Mecca to anyone who killed the Shah."

Just as we've always suspected: sugar, too, causes cancer. Indeed, according to Dr. Morris Cranmer, head of the National Center of Toxological Research, sugar

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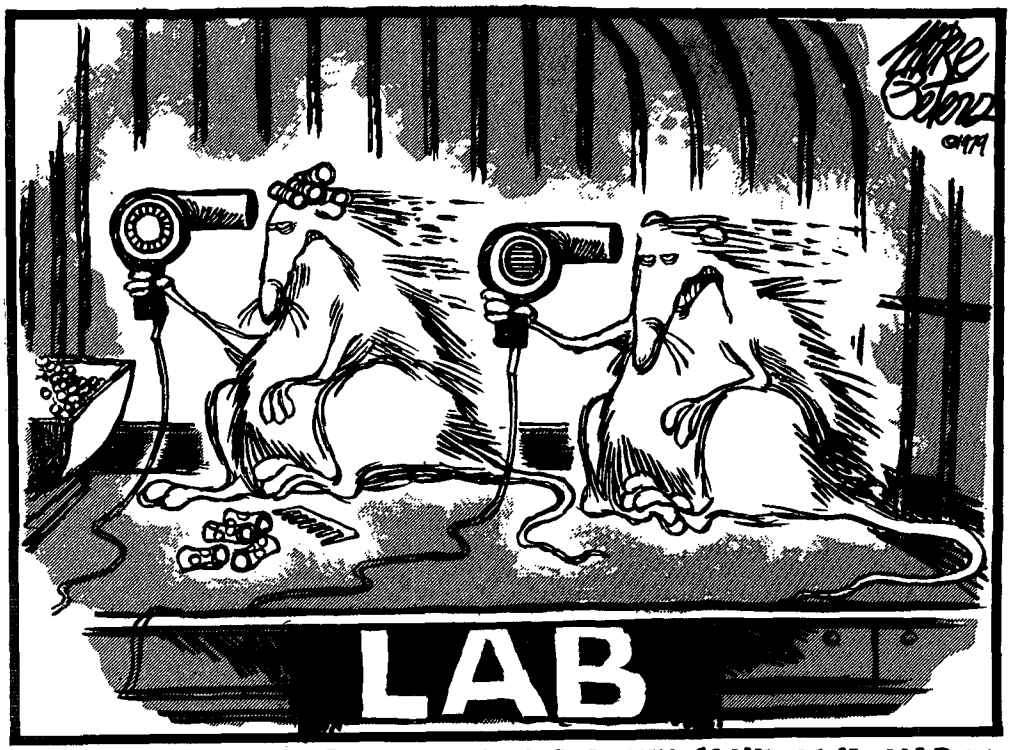

Remember the good old days when we only had to smoke a few cigarettes and eat saccharin?

is 375 times more likely to cause cancer than is saccharin. You may read this for yourself in an article in the June *Atlantic* by one W.A. Thomasson ("Dangerous to Your Health: Saccharin, Cancer and the Delaney Clause"), who also reports that "saccharin directly prevents cancer" in body organs other than the bladder (where rats fed massive doses of saccharin for two generations develop cancer). "So far as animal experiments go," says Mr. Thomasson, "the evidence is unequivocal." (For that matter, "excess weight . . . is a major risk factor in the development of cancer. Hence, if saccharin helps people attain and maintain their ideal weight, this in itself reduces cancer risk.") The question naturally arises as to whether using saccharin prevents more cancer than it causes. Unfortunately nobody knows, because the infamous Delaney clause of the Food, Drug and Cosmetic Act does not permit the FDA to consider such matters. Intead, it requires that a substance that can cause cancer "in any amount" must be banned regardless of any benefits the substance may have—which, needless to say, hardly encourages research on those benefits. "The all-or-none approach of the Delaney clause," Thomasson quotes the aforementioned Dr. Cranmer as saying, "provides absolutely no incentive to a petitioner [to the FDA] to do comprehensive research; in fact, the better work you do, the greater the chance that your compound will be banned. Who are we kidding?" Not Mr. Thomasson; he wants the Delaney clause repealed. Hoist a can of Diet-Pepsi to that —while you still can.

Shed a tear, if you have any to spare, for David Rooke, president of Dow Chemical Company, who is "sick and tired of the chemical industry being picked out as the evil of mankind." Dow, he will have you know, is a virtuous, public spirited company. "We hung in on napalm when it didn't mean anything to us business-wise [sic]. The Government asked us to make it and we did. We believed in the principle."

The National Association of Government Employees says the government has imposed tighter security regulations on military bases across the country in the wake of "huge and massive losses" of weapons and ammunition. The union, which represents civilian employees at those bases, claims that "such sophisticated weapons as M-16 automatic rifles, hand grenades, grenade launchers, rockets and rocket launchers and even machine guns are suddenly disappearing in large quantities"—a claim the Army denies. True or not, the charge is obviously meant to embarrass military officials; no doubt in preparation for the union's next round of wage demands. Which is rather interesting in the light of the Army's assertion that "there has not been a break-in on a major army installation since 1974." In that case, if arms are indeed "suddenly disappearing in large quantities," it could only be the work of insiders . . . such as, perhaps, the members of the NAGE.

Great Moments in Political Philosophy: "George Bush, the former CIA director seeking the Republican presidential nomination, said today [May 2] 'it is not intervention' in another country's affairs for the United States to support friendly governments facing revolution, like the Shah of Iran. 'That's not meddling,' he said. 'That's supporting.' " (*Washington Post*, May 3.)

High gas prices getting you down? Go to Weekapaug Bait and Tackle Shop in Westerly, Rhode Island, and fill your tank for just a quarter a gallon. That price, however, is good only if you pay with pre-1964 silver quarters. Otherwise it costs 81.9¢.

According to the National Taxpayers Union, it would cost an extra $115-million per ship to refurbish four aircraft carriers at the government's Philadelphia Navy Yard instead of at the facilities of Newport News Shipbuilding, a private company. No prizes for guessing which shipyard the Carter Administration wants to use.

Creative Wargames Workshop has a new game for your leisure hours: "Junta," "in which the winning player does *not* seize or hold power, but rather flees to Switzerland with the largest secret bank account." (*In These Times*, April 11-17.)

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THE PUBLIC TROUGH

The Democrats' double standard on spending

BRUCE BARTLETT

IT IS NOW BEcoming painfully obvious that the congressional budget process, instituted in 1974 as a means of controlling government spending, has become hopelessly politicized and the Democrats' primary vehicle for frustrating Republican attempts to cut taxes and spending.

The recent Senate debate on the First Concurrent Resolution on the Budget for Fiscal Year 1980 makes clear the extent to which the Democrats exercise a double-standard when it comes to amending the budget.

In theory, the budget process restrains spending because new spending bills cannot be considered unless they conform to the budget resolution. But in practice, the Democrats have no difficulty exceeding the budget limits when it suits their purpose. This year, for example, they merely tacked a third budget resolution for FY 1979 (which we are already half-way through) onto the budget resolution for 1980.

The tables are entirely turned, however, when Republicans try to cut taxes or spending. All of a sudden, the budget resolution becomes sacrosanct and may not be violated. If Republicans try to cut taxes they are told that taxes cannot be cut unless spending is also cut. But when Republicans try to cut spending the Democrats respond with three arguments:

First, they say that across the board spending cuts are improper, that proponents of spending reduction ought to spell out specifically where the cuts should be made. When the specific cuts are spelled out, however, Republicans are told that line-item cuts cannot be specified in the budget resolution.

If this does not deter the spending cutters, then the Democrats say that spending cuts will have to be made in the defense budget, because this is the only place discretionary cuts can be made, all other expenditures being "uncontrollable."

And lastly, the Democrats argue that spending cuts, even if combined with tax cuts, will produce "negative reflows." Thus they turn around the Republican arguments for tax reduction and say reduced spending will reduce economic growth, increase unemployment, and increase demands for government spending.

The Democrats' strongest argument against any spending or tax cuts, however, is that amendments to the budget resolution from the floor of the Senate infringe upon the Budget Committee's responsibilities. The place to offer amendments, they say, is in committee where they can be discussed and weighed against other options. Thus both Edmund Muskie and the ranking Republican on the Senate Budget Committee, Henry Bellmon, have joined, together with virtually every other member of the committee, to oppose any changes in the budget resolution.

"Democrats can find ways to deviate legally from the budget when they want to spend more—but not when Republicans want to spend less."

Unfortunately, the Budget Committee's unity fell apart around 11:00 p.m. on April 25 when Senator Muskie proved once again that there really is a double standard. The issue involved a $500-million increase in spending for food stamps for fiscal 1979 offered by Senator Warren Magnuson, powerful chairman of the Senate Appropriations Committee, at the Administration's request. Although no such request had been made during the Budget Committee's hearings or mark-up, and though it involved a significant departure from its recommendations, Muskie supported the increase.

This brought an angry response from another member of the Budget Committee, Republican Pete Domenici. Domenici charged that he had been forced to support the Budget Committee up and down the line for three days, voting against numerous amendments he strongly favored, in order to maintain the integrity of the committee. Then, at literally the eleventh hour, Muskie himself had thrown it all out the window with his support for a $500-million increase in spending. Domenici said that Muskie's actions had made a mockery of the budget process. And although the amendment subsequently passed it was clear to all those present that Domenici had delivered a damning indictment.

Up until now, the Senate Budget Committee has operated pretty much on a bipartisan basis, with Muskie and Bellmon working closely together. This situation may change radically in 1981 when Domenici becomes the ranking Republican with Bellmon's retirement. Muskie may well come to regret his actions of April 25, 1979. ❑

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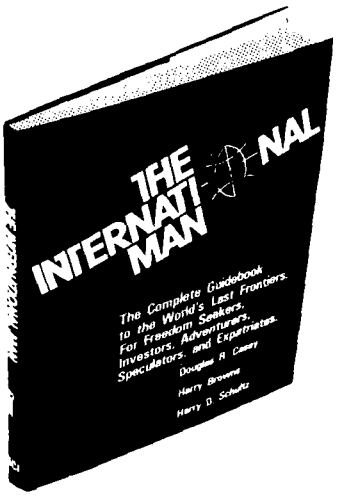
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Douglas R. Casey
Harry Browne
Harry D. Schultz

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THE PLUMB LINE

The gas "shortage"

MURRAY ROTHBARD

ONCE AGAIN WE hear of "shortages," this time of gasoline. And once again, the blame is being spread around: from the "greedy" oil companies, whose greed seems to have taken a sudden upward turn; to the "wasteful" and "selfish" American public, which persists in trying to drive its automobiles. Californians, who have been hit most grievously by the shortage, are especially being lambasted by Easterners for their intense devotion to the"car culture." But again, Californians have not just discovered their cars in recent months; so why has there been no shortage before?

The first vital point to grasp is the key distinction beween *scarcity* and *shortage*. Every useful commodity or service, except air, is *scarce*. If it were not scarce, it would, like air, be superabundant, and would therefore be free. Since all goods are scarce, they command a price on the market. The relatively more scarce, the higher the price will be. Thus, when, a few years ago, a large part of the Brazilian coffee plants froze, coffee became relatively much scarcer, and the price of coffee rose—to fall again when coffee production picked up in later years.

But note—there was never a coffee *shortage*. A shortage occurs when the commodity cannot be found by those seeking to buy it. Coffee production had fallen off, but it still could be found on the shelves. To put the point starkly, Rembrandt paintings are an exceedingly scarce item. They can never increase in supply—barring the arrival of a super-successful forger. And yet no one ever complains of a Rembrandt "shortage." There are Rembrandts available for purchase—at $1-million or so apiece.

There is no *shortage* of Rembrandts because no government has imposed price controls upon them. Suppose, for example, that the U.S. government, in its wisdom or out of a presumed desire to help out art lovers, should declare a maximum price of $1000 per Rembrandt. "Why," it might ask, "shouldn't the broad masses enjoy the purchase of Rembrandts?" Why not indeed? And so, the sale of Rembrandts for higher than $1000 would become illegal, under whatever penalty the government might decree. (Since various hopped-up legislators have already urged jail sentences for those filling station owners anti-social enough to close their pumps, we can imagine how high the punishment would go.)

If the government should decree a $1000 maximum price for Rembrandts, then a Rembrandt shortage would appear overnight, as if by magic. Long lines of art lovers clamoring to buy Rembrandts would be faced by zero supply. Lines, black markets, fake Rembrandts, all would appear. And the black market price would be a lot higher than the original free-market level.

The price system, in short, performs a vital and smooth rationing function, moving up or down in accordance with the intensity of consumer demand and the relative scarcity of a product. There is *never* a shortage if prices are free to move; shortages are *only* a function of government price control. In a sense, we can have as severe a shortage of any item as we want; the bigger the gap between the controlled price and the free-market price, the more severe the shortage.

In the case of goods which, unlike Rembrandts, can continue to be produced, price controls will also discourage future production, thereby increasing the relative scarcity of the product and aggravating the shortage. If the government should suddenly decree that Wonder Bread can no longer be sold for more than 10¢ a loaf, it will not only cause an immediate shortage of existing loaves of bread, but also discourage future production.

So, if a shortage of any product ever develops on the market, the culprit to look for is not the climate, big business, human greed, or the state of the world. The villain to look for is government price control.

Sure enough, in the case of the current gasoline crisis, the culprit is there in spades. The 1973-74 gas shortage struck because an increased scarcity of oil ran up against President Nixon's wage-price control program. The severe shortage disappeared, as if by magic, when the federal government reluctantly allowed gasoline prices to rise to clear the market by adapting to the new reduced supply. The current crisis is a legatee of Nixon's disastrous system of controls. For price controls on oil and petroleum products continued, with prices fixed for crude oil and then up the ladder to retail gasoline, with arbitrary margins set over the price of oil at the previous stage of production.

At first, price controls were set at about market price. But, as general inflation proceeded throughout the economy, a gap began to appear between the free and the controlled price. To try to handle this problem, the federal government stepped in to take over the rationing function normally performed by the price system. That is, it imposed arbitrary allocation and rationing of the nation's supply of oil and gasoline.

Government knows only one way to ration: the "fair" way seems to be to spread the imposed sacrifice in

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some seemingly equitable manner. Almost always it does so by imposing percentage cuts from a base fixed at some period of time in the past. The federal government, for example, decides each month how much of the short supply of gasoline may be allocated to each filling station by fixing a uniform percentage of the sales by that station during the same month last year or some previous year. Thus, each gas station this June may be held to an allocation of 90 percent of the sales it made last June. But this system, of course, penalizes growing, booming areas, where demand for gasoline keeps increasing, and impinges scarcely at all on declining regions. That's why the gas shortage hit particularly severely in booming California, while there was plenty of gasoline available in Philadelphia and Detroit.

Even before this year's evident shortage, drivers had long noticed a marked decline in the quality of service at the filling station. Courtesy and attentiveness had declined, and free maps had disappeared. This, too, was the early result of the federal allocation system, which *compelled* the oil refiners to keep supplying their quotas to the local stations regardless of lack of quality service. That was this year's gas shortage in embryo.

The gas shortage has been aggravated by the type of price control that the federal government has imposed. At each step of fuel sales, the seller is allowed to pass on any increase in the cost of oil or gas that he buys. However, he has *not* been allowed to pass on any other inflating costs, such as labor, rent, etc. As a result, no less than 20,000 gas stations have folded in California alone in the last couple of years. Another seemingly minor control has also aggravated the shortage. The typical gas pump is physically limited to three digits, and therefore cannot register a price higher than 99.9¢ a gallon. As the market price rises inexorably over $1, some gas stations have tried to meet the situation by charging for gas by the *half*-gallon, so that the price could register on the pumps. But some states have laws on the books prohibiting any sale *except* by the gallon.

Shortages are thus solely a product of government price control. But lest one may think that this completes the list of governmental sins in this area, the federal government has also done a great deal to increase the *scarcity* of oil, gas, and other forms of energy, and thereby to raise the market price and aggravate the gap between the market and the controlled price. Just some of the ways that the government has aggravated the scarcity follow:

(1) Worrying out of season about a possible heating oil "shortage" next winter, the federal government has, this spring, compelled more of petroleum to go into heating oil, and less into gasoline.

(2) To help out small refiners, the federal government has compelled more crude oil than before to go to very small outfits, many of which have sprung up overnight to take advantage of this subsidy. But these inefficient refiners get considerably less gasoline per barrel of crude oil than the larger, established refiners.

(3) The federal government compels all new cars to use only unleaded gasoline. Not only is unleaded more costly to make, but far less unleaded gasoline can be derived from each barrel of crude oil.

(4) Natural gas prices have been held far below the free market price by the federal government, thereby causing a shortage, particularly in interstate markets where these controls apply. The result has been (a) to discourage the search for new oil reserves, since oil and natural gas are often found together, and (b) to put more pressure upon the use of oil for heating purposes

(5) A large network of government regulations has crippled the production of coal, which again puts great pressure on oil resources.

(6) The federal government is sitting on vast naval oil reserves in Wyoming and California, which it has refused to allow into production since the turn of the century. What is it waiting for—some rainy day centuries hence when a few of its battleships will need some oil?

In short, if the federal government got out of the price control business, the gas shortage would disappear entirely overnight. True, the market price for gasoline would be higher, but a lower price does us little good if we can't obtain the product. Then, if government got out of the business of creating artificial scarcities of oil and gas, the supply would become more abundant, and the market price would fall. ❑

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SPECIAL SECTION: ENERGY AND AMERICAN FOREIGN POLICY

ROY A. CHILDS, JR.

We are facing a crisis in this country, a crisis brought on by government intervention in the economy and by an interventionist foreign policy working hand in hand. The results of these policies now threaten to wreck the American economy.

At the same time, our policy-making elites are beginning to reach a murderous consensus: that the way to solve the energy crisis is to *increase* government intervention in the energy industry, and to intervene more militantly in the Middle East and elsewhere to guarantee—by threat of *war*—American access to crude oil. The end result of these policies is going to be depression and war.

The unfortunate fact is that no ideological group in this nation is up to facing the challenge presented by this crisis. The Right wing has long been the war party in this country, and their views here have discredited their correct—but incomplete—advocacy of deregulation in the energy industry. At the same time, the Left wing has always been the party of government domination of the economy, and its genuine—although weak—tendency toward nonintervention-ionism in foreign policy has been discredited by the fact that its solution to the energy crisis is more economic fascism: regulation, nationalization, central economic planning and, of course, taxes.

It is only libertarianism which can unravel this mess and provide policy recommendations which can save both freedom and peace from destruction. The systematic intervention of the American state in the American economy has led us to the present energy crisis, and its interventionist foreign policy is leading us to war. To follow the path of more government intervention in either area will only lead to disaster. Only by *combining* a move toward laissez-faire in energy and non-intervention in foreign policy can we solve our problems. It is our purpose here to make this case.

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GOVERNMENT INTERVENTION IN ENERGY: SAVIOR OR VILLAIN?

DAVID R. HENDERSON

Every day in the media we hear words to the effect that at the present rate of consumption and given the existing reserves, America will run out of oil and natural gas in (choose one) 5 years, 10 years, 20 years, or 30 years. This statement is often made as if it were some new discovery, something we didn't know before. But it's not a new discovery—we've always known it. In fact, at the rate of consumption of oil in 1933, not exactly a boom year, reserves should have lasted only until 1946. We should have had no oil after 1946. Something went wrong, or more correctly, something went right and we didn't run out in 1946. In fact, all people are saying when they say we'll run out in x years, is that you cannot continue using a finite resource at the same rate indefinitely. But any school boy could have told us that; that's just a particular application of the general mathematical principle that a finite number divided by a finite number is a finite number.

What does any of this tell us about the energy situation? Nothing except that energy is finite. But we already knew that. Energy is an economic resource, and all economic resources are finite. If they were infinite, there would be no economic problem. In fact, the study of economics would disappear and I wouldn't be writing this article, since the whole purpose of economics is to study the allocation of scarce, finite resources among competing ends. And we can use the same economic tools, the same economic analysis, to look at the energy issue that we use to look at the meat issue or the automobile issue.

There are some general principles about how prices are determined in a free market. The first principle is that the supply of a good is a function of the price. The higher the price, the more of a good will be supplied. If you allow the price of oil to rise, it will pay to exploit oil from existing wells where it didn't pay before(for example by piping salt water

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down and pushing the oil out) and it will also pay to explore for oil where it didn't pay to explore before. Similarly with natural gas: if you let the price of natural gas rise, it will pay to explore for natural gas. "Reserves" of natural gas and oil are in fact economic concepts, defined with respect to a *particular price*. When the American Petroleum Institute or the federal government say there are x reserves of natural gas what they mean is that there is x amount of natural gas known about today that is worth getting today at the existing price of natural gas. However, if the price went up, there would suddenly be new reserves, because there would then be oil and natural gas worth exploiting at the higher price that wasn't worth getting to at the lower price. That explains why we didn't run out in 1946.

In fact, the Energy Research and Development Administration (ERDA) in a 1977 report entitled the Market Oriented Program Planning Study (MOPPS), estimated that an increase in price from $1.75 per thousand cubic feet (mcf.) to $3.25 per mcf. would *double* U.S. reserves of natural gas. This was their conservative estimate after two earlier estimates were rejected by the Carter Administration as being too high. Incidentally, the MOPPS study has since been suppressed and nearly all copies have been recalled from government deposit libraries across the country.

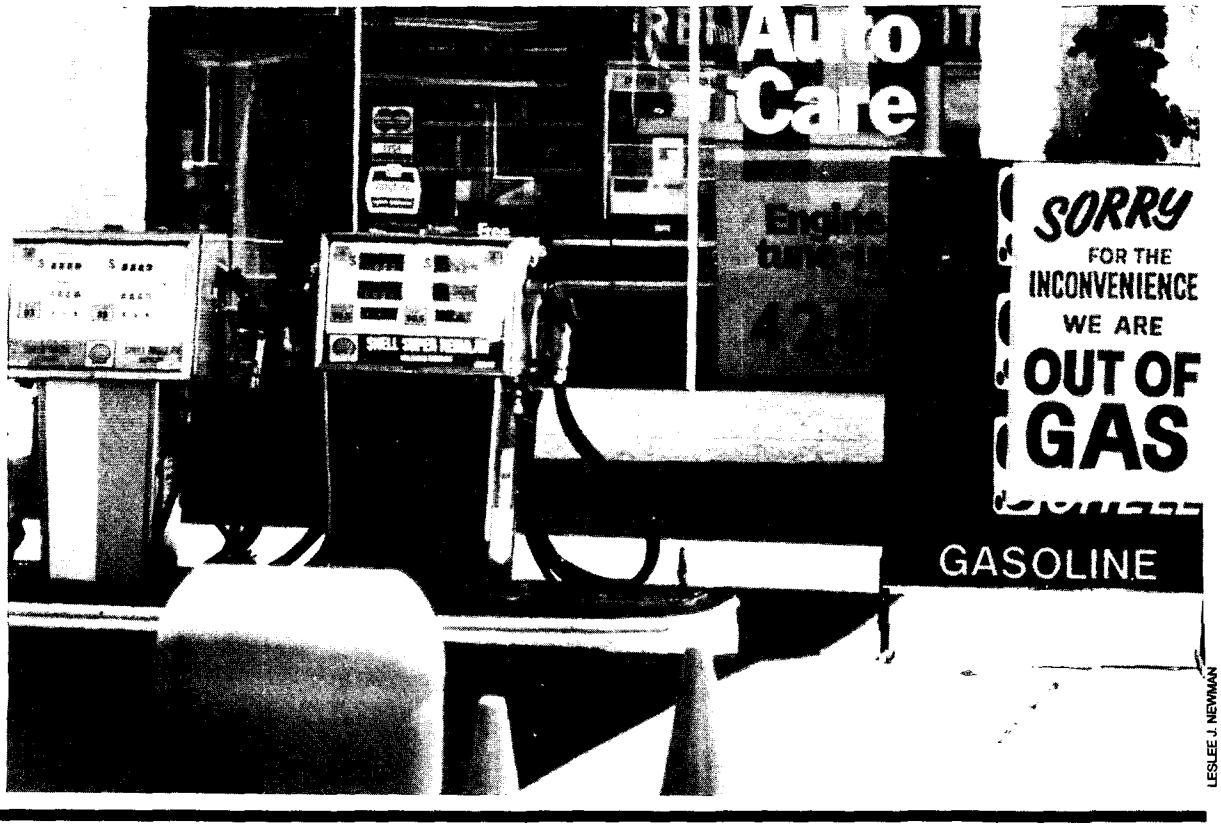
A second principle is that the quantity demanded of any good or service depends on the price. The higher the price the less of a good will be demanded. The lower the price the more of a good will be demanded. Take a case where the price of a good rises. When the price goes up, people use less and substitute other goods. For instance, when the price of oil rose, people insulated their houses more. And when the price of gasoline rose, some people drove less or bought smaller cars when they traded in on a new car. In Europe, where the price of gasoline is more than double the U.S. price due to higher gasoline taxes, most people drive smaller cars than in the U.S. These are the two principles underlying supply and demand: when the price increases, more is supplied and less is demanded.

In a free market, what equilibrates supply and demand? What brings them into equality? Price. How is the price set? Does the government set the price? No. What sets it is the fact that everyone in the market is out pursuing his own interest, and that, over time, will automatically bring demand in line with supply. Let's say you start with a price at which the quantity demanded exceeds the quantity supplied. That means that people demand more than is supplied: there will be shortages and line-ups. Suppliers will see that they can raise the price and still sell all they have to supply. As they raise the price people demand less, and suppliers will have an incentive to supply more. The price rises to the point where the quantity demanded equals the quantity supplied. Similarly, if you start with the price at which the quantity supplied exceeds quantity demanded, then the suppliers will bid against each other to keep the price down to where demand equals supply. Therefore, shortages and surpluses are only temporary phenomena in a free market.

One of the main virtues of the free market, in fact, is its flexibility. The price of a good is free to move in response to shifts in supplies and demands. It will reach a point where surpluses and shortages are eliminated. At this point, buyers can buy all they want and sellers can sell all they want.

Consider what happens when the supply decreases. Take a particular example: the Arab oil embargo of 1967. This embargo did not get the headlines that the 1973 embargo received. One of the reasons was that the price of oil was free to rise. During the Arab-Israeli war, the Arabs embargoed Europe. The price of oil increased in Europe. Some oil destined for the U.S. was shifted to Europe in response to the higher price and the price in the U.S. rose. The result? The market cleared with a lower supply. No shortages, no lines.

Consider the case of the demand shift. Imagine that



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people move from Rochester to Los Angeles, and drive more in Los Angeles, demanding more gasoline than they demanded living in Rochester. The price of gasoline will be bid up in Los Angeles in the short run and suppliers will respond by shipping more to Los Angeles and less to other areas of the country, until the prices are equalized (ignoring transport costs).

Price controls and the energy crisis

As Murray Rothbard says in "The Plumb Line" elsewhere in this issue, the gasoline shortage of 1973 and 1974 was caused by Nixon's price controls.

The current gasoline shortage is caused by Department of Energy (DOE) price controls, and if the controls were eliminated the shortage would disappear tomorrow. There would be a wide disparity among prices in different parts of the country because the federal government does not allow gasoline to move freely from low price to high price regions. Instead it allocates particular quantities of gasoline to various regions. If the power to set allocations were removed from the government, the regional price disparity would also diminish in short order. Entrepreneurs would buy gasoline in low price regions and ship it to high price regions, driving the price up in the low price regions and down in the high price regions.

The current shortage of natural gas was caused by the Federal Power Commission's controls on the field prices of natural gas, which were imposed in 1954. The shortage did not occur immediately because producers faced with a choice between producing in the early years at a controlled price or in later years at the same controlled price, rationally chose to speed up production in the early years and collect interest on their profits, rather than wait and forego the interest. However, as a result of the controls, less exploration for new natural gas was undertaken. The shortage of natural gas started in 1967, and has continued ever since, getting worse year by year, although only in recent years has it received much publicity. In 33 states there are extreme restrictions on hook-ups to natural gas and how much natural gas you can get. In most of those states if you build a new house you cannot hook it up to natural gas. Even if you are willing to pay a lot more for natural gas than the regulated price, even if you are willing to pay more than someone else who has natural gas, but just got there first, you cannot get a new home hooked up. Last year the government allowed the controlled price on natural gas to rise but did not eliminate the controls. Instead it extended the controls to the intrastate market, which had not previously been regulated by the federal government. As a result, the natural gas shortage is still with us. In many states, it is still impossible for new users to obtain natural gas.

There are many undesirable consequences of price controls. One is the line-ups. People often have to sit for hours in lines waiting to get gasoline and sometimes do not get it even at that. People get very frustrated in those line-ups and there is sometimes violence. In the 1974 line-ups some people were killed. So one of the consequences of controls is to make us a somewhat less civilized society.

Another longer term consequence of controls is that once the controls have caused the shortage, the government usually does not stop there. It decides who is at the front of the line for getting those goods that are in short supply. How does it decide that? As in the case of petroleum allocations, it often decides on the basis of who got the goods historically. Owners of old homes already hooked up to natural gas are favored over owners of new homes. Oil refiners are guaranteed a supply of price-controlled crude from the suppliers who supplied them before the controls. When retail gasoline was allocated by the government in 1974, it was allocated to the places where people had been driving in 1972. That was not where people drove in 1974, with the result that there were no lines on interstates while frustrated drivers wasted hours in line in major cities.

Sometimes, however, exceptions are made in response to political pressure. The truckers' violence campaign in early 1974, for example, in which one man was murdered, convinced the federal government to allocate more refinery output for trucks.

The losers in this game can sometimes lose big. In the winter of 1977, over one million people were put out of work temporarily due to the natural gas shortage. Most of these people were blue-collar workers.

The government reduces the incentive to conserve energy by keeping the price low, causing those who get energy to use it in ways they themselves would consider wasteful at a higher price. Then it turns around and tells us that we're energy pigs. As they say in Brooklyn, "what chutzpah!" But the government goes further. It imposes controls on our uses of these resources. For instance, in the winter of 1977 Governor Carey of New York decreed that firms could not use more than 75 percent of the amount of natural gas they had been using in a selected base period. The Federal government requires that cars get a certain minimum number of miles per gallon each year. The government uses building codes to require that buildings be built to use energy "frugally." President Carter is proposing standards for appliances so that appliances will cost more to start with and will use less energy. Carter proposes also that utilities be forced to convert to coal from oil and natural gas, and that drivers be thrown in jail for driving on certain days. Finally, Ralph Nader wants an "energy conservation corps" to have power to force its way into any private home and do an "energy waste audit."

Now, many of the adjustments the government is trying to achieve with these controls are exactly the kinds of adjustments we would have made anyway if the prices were higher. We would be inclined to shift to cars that use fewer miles per gallon. In fact we were doing that. We would be inclined to insulate our houses more. We're doing that. Even people I know who distrust Carter had their thermostats turned down to 65 degrees. They weren't talked into it by him; they were talked into it by the monthly fuel bill.

But there are three major differences between what we would have done on our own and what the government is trying to force on us with these controls. One is that we would have done it voluntarily and that has value in itself. We wouldn't have had a jail sentence to face or a fine to adjust. The second, a consequence of the first, is that we would have been able to make our own adjustment in light of our own circumstances, rather than in lock-step fashion. It's absurd to think that because the price goes up a certain amount everyone is going to want to cut his consumption by the same amount and yet that's exactly the kind of crude mentality behind these proposals.

The third difference is that if the free market were allowed

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to handle the adjustment, the government would not be able to hold arbitrary power over our heads and inhibit our freedom of speech. Imagine what would happen when a government bureaucrat controlled the allocation of natural gas and a businessman whose firm used natural gas spoke out against this government control. You don't have to be Colombo to figure the odds on this businessman's getting all the natural gas he wants.

Now I should say something about the latest Carter proposals on oil prices. The price of "old" oil (that is, domestic oil discovered before a certain date) is controlled at $6 per barrel. The price of "new" oil (that is, domestic oil discovered after a certain date) is controlled at $13 per barrel. The world price of oil is $16 per barrel. Carter's decontrol plan would allow the prices of oil and new oil to rise in steps to the world price by 1981. This would give producers, especially producers of old oil, an incentive to withhold their oil from the market in anticipation of the higher price. Carter's scheme could worsen the current shortage. Instant decontrol would be preferable.

Further, Carter proposes to tax the price increase at a hefty rate. This so-called windfall profits tax is actually an excise tax on oil. The larger it is, the less will be the incentive for domestic oil producers to produce.

Energy and the free market

Without government control, how would the free market handle conservation? The claim is often made that under a free market system people don't have the correct incentive to conserve. That claim is incorrect. We do have the correct incentive and we have it not because oil company managers are nice guys concerned about future generations, not because they're altruistic, not because they're benevolent, but because they're *greedy*. If they anticipate a shortfall in the future, they'll realize that the price will be higher because of that shortfall. Therefore, they'll tend to withhold production today, and carry it over into the future. If, for example, the price of oil next year is expected to be $20 per barrel and the price this year is $16, producers will contract production now and expand production later. That will smooth out the price over time. So we get conservation because it's profitable to conserve.

Is it necessarily the case that the managers of oil companies will make the correct decisions? Of course not. Not necessarily. They can make the wrong decisions. But at least if they make a wrong decision, they bear most of the cost of that decision, because to the extent they make the right decision they make money, and to the extent they make the wrong decision they lose money. For instance, if they anticipate a shortfall in the future and therefore hoard now in order to produce it later and in fact there isn't a shortfall in the future, then the price they'll get in the future will be lower than they expected. They could have sold it now for a higher price in present value terms, and they missed that opportunity. So at least the incentives are in the right direction. They have an incentive to have the right information. There's no similar incentive in the case where the government controls that decision. In fact, if we go by recent performance of the government, the incentives seem to be in the opposite direction. Lately the government has been putting heat on firms with federal oil and natural gas leases to step up production. They want less conservation. They want more produced now, and less in the future.

Another issue is that of foreign dependence. If we don't have some kind of government regulation won't we be dependent on foreigners? Of course we will be dependent on foreigners. But so what? "Foreign dependence" is another term for foreign trade. Obviously, at the existing price it might be better to buy domestically than to buy from foreigners, but that's not the relevant choice. If we want to

"I'VE GOT TO RUN TO THE STORE FOR SUGAR... COULD YOU SPARE A CUP OF GAS?"

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have all domestic oil production, we'll have to pay a higher price for it than we are paying the foreigners, or else we wouldn't go to foreigners in the first place.

Moreover, we have a mechanism that handles the problem of a foreign supply cutoff that is similar to the mechanism that handles the conservation problem. That mechanism is called speculation. Speculation helps to take account of foreign supply cutoffs. We saw an example of that with coffee. When the coffee buds died, speculators knew that in a couple of years the price would be higher. Therefore, they withheld coffee today, raising the price now and encouraging people to consume less now. The coffee was saved for later when it would be valued more because it would be scarcer. The market was allowed to operate and it did its job nicely. There was no coffee shortage. And again there was the same incentive to have correct information. People won't necessarily be correct in a free market, but at least they will have an incentive to be correct.

Now here's a case where the speculator, though serving a very useful function, is hampered by price controls and by "windfall" profits taxes: with the 1973 oil embargo and the later quadrupling in prices by the Arabs, the price of oil shot up dramatically. But the government didn't let the price of domestic oil go up all the way. People who were conserving, who made a right decision by holding all that oil, didn't get the full reward for doing that. Their reward was called obscene windfall profits. Price controls throw a monkey wrench into the speculative function because if people can't get the gain for having saved oil in abundant periods for more scarce periods, they are less inclined to do that. As a result we are more vulnerable to the Arabs.

I have spent much time criticizing current and proposed energy regulation. I think it only fair to discuss my own five proposals.

(1) Eliminate price controls. Effective price controls cause shortages. A persistent objection to the removal of price controls on oil and natural gas has been that the higher prices will hurt consumers. However, "it ain't necessarily so." Consumers who cannot buy gas or oil at controlled prices are already turning to substitutes, e.g., liquidified natural gas, that are now priced higher than the price of oil and natural gas would be without price controls. Whether they would lose from price decontrol would depend on the magnitude of their cost saving on price-controlled energy relative to the magnitude of their cost increase on higher-priced substitutes. Since these relative magnitudes vary among consumers, decontrol would benefit some consumers and hurt others. Since production is discouraged the longer price controls remain, the number of consumers helped by price controls decreases over time.

(2) Eliminate government energy standards for buildings, cars, or appliances. If consumers face the right (decontrolled) price of energy, they will consume the appropriate amount of energy.

(3) Eliminate forced conversion of utilities to coal.

(4) Eliminate the Department of Energy. The budgetary cost alone of the DOE is over $200 per family.

(5) Eliminate sacrifices for the sake of sacrifice. Sacrifice is a bad, not a good. As Milton Friedman said of a Congressman's statement that the Carter energy program was fine as long as everyone sacrificed equally, "What a sadistic philosophy!"

Some people would not object to my proposals if they believed that the oil industry would be competitive rather than a cartel in the absence of government controls. But, they claim, the oil industry is a cartel, that is, a number of firms that get together and act like a monopoly, by fixing a price and setting output quotas for each firm.

The oil cartel

There certainly is an oil cartel. It is called OPEC (the Organization of Petroleum Exporting Countries). We know it's a cartel because demand was relatively stable and was growing a few percent a year and suddenly the price quadrupled. That rarely happens in a competitive market.

But this fact does not weaken my argument at all. It strengthens it, because many of the policies I have criticized strengthen the cartel. The U.S. government has really helped that cartel, and is trying harder to help it. The price controls on domestic oil discourage production of domestic oil. The price controls on natural gas discourage domestic natural gas production. People who cannot get natural gas or oil domestically will buy from foreigners, namely, from OPEC. So the government's price controls are helping OPEC. The government helped OPEC for a few years by holding up the Alaska pipeline. It helped the cartel by imposing coal mine safety legislation which didn't do much to increase safety but certainly did a lot to increase the cost of coal mining. Finally, a regulation that the Department of Energy adopted in 1977 has probably stabilized the cartel. The DOE now requires all domestic oil companies that deal with foreign oil companies to state at the end of each month the quantities they purchased from each of those countries and the prices paid. In antitrust law that was once called an open price trade association. The idea was to get a number of competitors together with each having a right to look at the others' books. It is much easier to enforce a cartel when you do that. Each member of the OPEC cartel has an incentive to cheat by cutting price and increasing its sales. Even though their collective interest is to have a high cartel price, each individual member's interest is to cut price. There has probably been a lot of price cutting. With the DOE regulation, there is probably less price cutting. Now OPEC gets, courtesy of the United States Government, information every month on who is cheating. And OPEC can take appropriate sanctions against cheaters.

Even in the absence of the OPEC cartel would the domestic oil industry be a cartel? I say no. There are two main reasons. One is that it is too difficult to collude. We have a large number of oil companies. There was a Union Oil ad in *Newsweek* in 1976 full of trademarks of companies in the oil industry. Many of them familiar: Shell, Gulf, Mobil, Fina, Total, Koch, and on and on and on, about 50 of them. Union Oil's comment was "some way to run a cartel." There are just too many of those companies around. They may have an incentive to get together and make a collusive agreement, but each of them has an incentive to cheat on that agreement and probably will.

But here is another even more convincing piece of evidence about why there is no cartel of U.S. oil companies and refiners. Just look at what OPEC did. It quadrupled oil prices, and the quantity sold fell somewhat, but not much. Revenues tripled. In economists' terms, demand was highly inelastic. Costs fell somewhat because at that higher price OPEC sold less and therefore produced less. OPEC's profits rose dramatically since revenues rose and costs fell. You

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needn't be very smart to hire an economist to find out that the elasticity of demand for oil was very low. So if the oil companies were in a cartel, they would have increased the price long ago. They would have been crazy not to. Before the advent of price controls, they could have made all these higher profits too by simply increasing the price. They did not do so. Either we have to conclude that they're stupid or that they're not a cartel. The latter makes more sense to me.

There's some apparent evidence for the idea that the oil and natural gas industries are successful cartels. But it is only apparent. The first piece of "evidence" is that oil companies made windfall profits in the billions back in 1973 and 1974 when the price went up. Of course they did. Whether you're a monopolist or the Beverly Hillbillies with a thousand other competitors competing with you, if the price of some good of which you have an inventory rises, you're going to make windfall profits. Windfall profits in themselves are not evidence at all that the firms making them are monopolists.

There's another piece of apparent evidence for the cartel hypothesis, but it is not evidence either. That is the claim that in the last few years producers have been hoarding natural gas and oil. If they anticipate that the controlled price is going to be allowed to rise, they would be crazy to produce and sell at the lower price rather than wait until the price is allowed to rise. Collusion is not a necessary condition for hoarding. If there were a million producers and they all anticipated the price rise they would all withhold output now. That would happen whether they were monopolists or competitors. Incidentally, "hoarding" is just a nasty word for allocation over time. Without price controls, it is very useful.

I have analyzed the effects of government regulation. Past government regulation has been pernicious and the proposed government regulations will also be pernicious. I have also outlined the free market approach that is consistent with the classical liberal ideal of allowing people to make their own adjustments and exercise their own individuality in doing that. But there's one issue that I haven't devoted much time to and I want to conclude with it.

Given the fact that the energy "problem" can be dealt with effectively by individuals making their own choices, and that energy has become a special problem as a result of government intervention, why is anyone advocating further government intervention which would only compound the problem? That's a tough question that no one has answered conclusively. But the fact that it hasn't been answered should not prevent me from suggesting why certain mandarins in Washington favor further regulation. I can do no better than quote from an astute observer of government bureaucracy,

> The tool of politics, which frequently becomes its objective, is to extract resources from the general taxpayer with minimum offense, and to distribute the proceeds among innumerable claimants in such a way to maximize the support at the polls. Politics, so far as mobilizing support is concerned, represents the art of calculated cheating—or more precisely, how to cheat without being really caught. Slogans and catch phrases . . . remain effective instruments of political gain. One needs a steady flow of attention grabbing cues and it is of lesser moment whether the indicated castles in Spain ever materalize.

Who wrote this? Some libertarian curmudgeon who hates bureaucracy? No. It was the same person who persuaded Jimmy Carter to use that slogan "the moral equivalent of war" in describing his energy program. His name? James R. Schlesinger. ❑

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THE ENERGY CRISIS: HISTORICAL ROOTS AND POLITICAL CONSEQUENCES

D.T. ARMENTANO

In 1919 there was a serious energy crisis. Government controls during World War I had produced shortages, and everyone was urged to drive less and turn down his thermostat. The U.S. Geological Survey predicted that our petroleum resources were being rapidly depleted, and the Secretary of the Navy suggested—in the national interest—that the nation's crude oil fields be nationalized.

When the war-time regulations ended so did the energy crisis. Crude oil prices increased to $3.50 by 1920 but then fell rapidly throughout the 1920s. A nation that was running out of oil in 1919 was awash with oil by 1922.

In 1945 there was another serious energy crisis. The World War II price controls produced severe shortages and, again, it was announced that the world was running out of oil. Critics argued that deregulation could not get us more supply, but would only produce "windfall" profits for the monopolistic oil industry.

When the war-time controls expired so did the energy crisis. Prices of crude oil jumped from $1.36 in 1946 to $2.57 in 1948, but then fell in real terms almost 30 percent between 1950 and 1972. A nation that was running out of oil in 1945 was awash with oil by 1950.

Now, as we sit in our cars waiting in line for our precious allotment of gasoline, we are being told—again—that the end of the petroleum age is at hand. Again there is a "crisis" with all the attendant events: waiting lines at gasoline stations; arbitrary "allocations" of supplies; talk of windfall profits if we "decontrol"; and, as usual, threats from government to extinguish what remains of our liberty should we fail to heed its conservationist propaganda. And, of course, there is a final consequence of the crisis: total public *bewilderment*.

We will attempt to end that bewilderment

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here by unraveling the *historical origins* of the present crisis. The fundamental hypothesis to be tested is that to a considerable degree, the industry itself must bear a primary responsibility for our current difficulties. Historically a substantial amount of petroleum regulation and legislation has been supported—in whole or in part—by the industry itself in an attempt to further its own short-run business objectives. And it is this regulation and legislation which has finally—and inevitably—produced the economic chaos that the public calls the "energy crisis."

Now to say that industry is responsible for intervention in petroleum is *not* to say that there is unanimity in the industry concerning the scope of regulation; far from it. Nor is it to say that *all* our current difficulties in energy are fully traceable to industry-supported controls. It is to say that these historical interventions are the *primary* cause of our current energy difficulties and that the industry itself, therefore, must admit serious complicity with respect to present energy conditions.

Before we can properly evaluate business's role in petroleum regulation, it is vital to understand the fundamental nature of the market economy and of the interventionist process. The market economy is an institutional arrangement whereby owners of property voluntarily enter into exchange relationships which they consider to be mutually beneficial. In a free market buyer and seller agree to an exchange because they both expect to gain some advantage from the exchange. If the terms of exchange are *not* determined by buyers and sellers, however, but by the government, then the assurance of mutual advantage breaks down. Indeed, if the government sets the terms of exchange (price fixing, for instance), then some (buyers, sellers) are likely to gain advantages *at the expense of others* (buyers, sellers, consumers). In short, a free market by its very nature tends to ensure mutually advantageous trading relationships; a regulated or interventionist market cannot.

Free markets also tend to be *efficient*, since owners of resources are led by self-interest and competition to adjust their "outputs" and prices so that consumer demand is fulfilled at the least "cost." Enterpreneurial errors are, of course, inevitable in such a system but since mistakes generate surpluses or losses to owners, they quickly induce behavior that tends to correct the initial situation. Profits, on the other hand, tend to encourage suppliers to provide additional output and make investments in areas the market has demonstrated to be worthwhile. Thus, the market economy tends to reward business organizations that correctly anticipate future market conditions and penalize organizations that do not, insuring that scarce resources are allocated toward those uses which consumers indicate they value most highly.

Government intervention upsets both the efficiency and the mutual advantages associated with free market arrangements. When the government restricts entry and competition in production, or when it controls the price of some resource or commodity, it substitutes political (interest group) choice for the voluntary choices of the owners of property. The inevitable result of this substitution is that the mutually beneficial nature of private exchange breaks down and some *benefit* due to the intervention at the expense of others who are *harmed* by it. Price-fixing, for instance, can *temporarily* benefit certain consumers at the expense of other consumers and specific producers (though the shortages engendered in the long run are counter to all consumer interests); entry restriction can benefit specific producers at the general consumer expense as can tariffs or import quotas. Thus the interventionist process has a closer kinship with coercion and theft than with any market processes.

Interventionism is also inefficient (costly) since it hampers the entrepreneurial process whereby scarce resources tend to be allocated toward their most valued uses. Since interventionism necessarily interferes with market pricing, it distorts the information that free market prices are meant to convey concerning actual benefits and costs. Indeed, it is impossible to discover what the highest valued use for resources are (or what the "cheapest" techniques of production are) when government intervention determines prices or when resources are forcibly "allocated" by the State. In short, the production process that occurs in a politically or bureaucratically managed, interventionist industry (or economy) is necessarily arbitrary and inefficient.

Historically, the attitudes of businesspeople toward a free market economy (and toward interventionism) have been ambivalent. On the one hand the market system has sometimes been supported because it has allowed new entry, economic growth, accumulation, and the attainment (based on merit) of social positions of wealth and power within the industrial order. Conversely, however, large segments of business have typically regretted the freedom of the market since that freedom has tended to generate great insecurities for acquired wealth and position. The very same freedom and open entry that some employed to gain wealth is also used *by others* to quickly dislodge established wealth's position. And since pragmatism rules the business house, it is not surprising to see particular business interests opposing the so-called "cruelty" or "inefficiency" of unregulated competition, and instead favoring governmental intervention, especially intervention that lessens competition and/or restricts entry into an established market. Thus many business groups have favored legal interventions such as tariff protection, import quotas and prorationing, governmental enforcement of "codes of ethics" (a typical cover for anti-competitive state regulations), minimum price-fixing, licensing and various other restrictions. Such restraints of trade are especially typical of the political economy of the American petroleum industry.

A free market in energy

The early years of petroleum industry development (1859-1911) are remarkable in that they represent a virtual textbook example of a nearly *laissez-faire* market economy. There was little governmental regulation or subsidization during this period (no price controls, entry restrictions, or tariffs) and, not coincidentally, the industry experienced a phenomenal growth and development of its resources. Outputs of kerosene and related products were enormously expanded and prices were reduced throughout most of this early period. And even though these years of development were dominated by Standard Oil of New Jersey, the "Oil Trust" was unable to prevent the entry growth of many competitors (Shell, Gulf, Texaco, Sun, etc.) or prevent a substantial decline in its own considerable market share. In short, the early years in petroleum were both unregulated *and* competitive with no public crisis in either the price,

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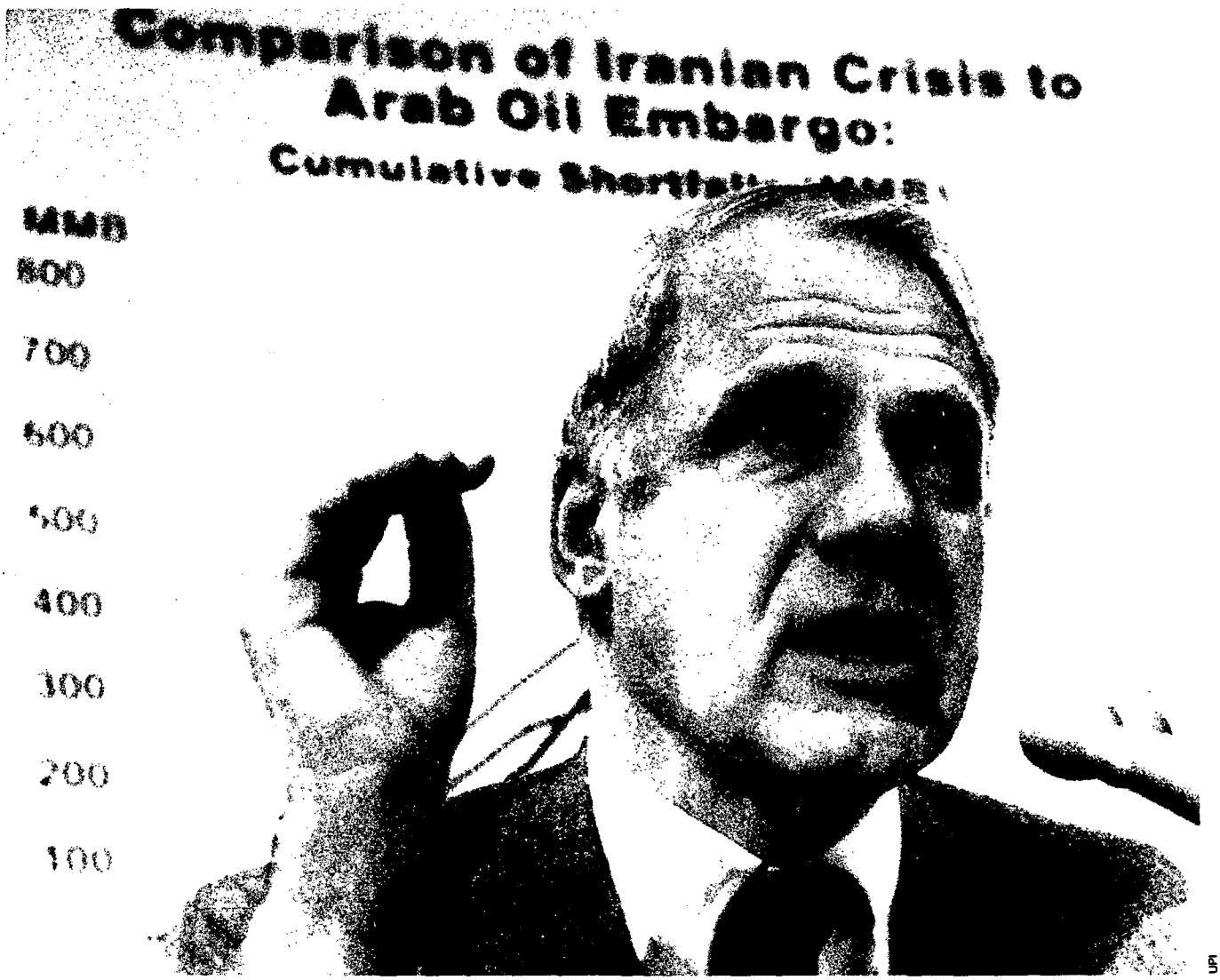
supply, or distribution of products. This is not to imply that such conditions existed for other industries.

This early *laissez-faire* era for petroleum ended rather abruptly during World War I. The war needs of the United States and the Allies were such, it was argued, that large and steady amounts of diesel fuel (the U.S. Navy was consuming almost 6-million barrels by 1918) had to be produced and diverted to wartime purposes. Similar reallocations of strategic resources were taking place throughout the oil industry (and, indeed, throughout the economy) and important industry executives agreed to cooperate with the government in the "emergency" wartime planning.

Most of the wartime planning arrangements in petroleum were assigned to the "commodities section" of the Petroleum War Services Committee and to the Oil Division of the United States Fuel Administration. Revealingly, the chairman of the Petroleum War Services Committee was A.C. Bedford, President of the world's largest oil firm, Standard Oil of New Jersey, and the director of the Oil Division was a California petroleum engineer (and protege of Herbert Hoover) Mark Requa. Bedford's appointment was in itself quite a remarkable development since, as historian Carl Solberg has written, only "six years after the dissolution [of Standard Oil] its chief executive officer was in Washington helping direct industry's cooperation with government."

Even more interesting, perhaps, is the fact that when the War Services Committee was dissolved at the end of the hostilities, Bedford became the chairman of the newly formed trade association, the American Petroleum Institute. API was created, in its own words, "to afford a means of cooperation with the government in all matters of national concern." Thus in the short space of less than a decade, petroleum industry and federal government relations had taken a 180 degree turnabout from noninterference, even apathy, to vigorous "cooperation," collusion and accommodation.

Scholars are unanimous in describing these wartime arrangements as "cooperative," as a unique experiment in government and (central) industry planning. The oil division of the U.S. Fuel Administration in cooperation with the War Services Committee was responsible for fixing prices, determining outputs, and allocating crude supplies among various refiners. In short, these governmental organizations, with the coordinating services of leading business interests, had the legal power to operate the various parts of the oil industry as a cartel, eliminating what was described as "unnecessary waste" (competition) and making centralized pricing and allocative decisions for the industry as a whole. Thus, the wartime experiment in



Federal energy czar James Schlesinger, kingpin of a system which "has led to crisis, shortage, and privilege based on political power."

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"planning" (i.e., planning by political agents to satisfy political interests rather than by consumers, investors, and entrepreneurs to meet consumer demand) created what had previously been unobtainable in the petroleum industry: a governmentally sanctioned cartel in oil.

When the war ended, a strong sentiment existed among leading oil industry leaders for continuing the National War Service Committee's spirit of cooperation and "supervised competition" with respect to the petroleum industry. For example, most influential oil spokesmen heartily approved of President Coolidge's Federal Oil Conservation Board (created in 1924), and most endorsed that board's early recommendations for compulsory withholding of resources and even state prorationing. The American Petroleum Institute consistently advocated enforced "cooperation" among oil companies and various regulatory schemes to limit production. A majority of the API directors, led by the outspoken Henry Doherty of Cities Service Company, favored federal regulation of production in 1927. More explicitly interventionist, the Independent Petroleum Association of America (IPAA) never even pretended to hide behind the mantle of free enterprise. It consistently advocated strong state regulatory control over crude oil production and a tariff on foreign crude oil, and even sanctioned the declaration of martial law and the use of National Guard troops in order to enforce prorationing by armed force in Texas and Oklahoma during the early 1930s. (Much to the delight of the so-called "independents," by the way. East Texas crude oil prices rose from 10¢ a barrel in August of 1931 to 85¢ a barrel in June of 1932.)

But it was during the Depression of the 1930s, and particularly with respect to the National Recovery Act of 1933 (NRA), that all measure of pretense concerning "free enterprise" was abandoned by oil businesspeople. Under the separate oil code section of the NRA (which was actually written by the American Petroleum Institute), the production of crude oil was to be legally coordinated with demand (as determined by the state and its political clients). State prorationing laws were to receive federal support. Interstate and foreign shipments of oil were restricted to quotas determined by Secretary of the Interior Ickes and a Petroleum Administrative Board. The Reserve Act of 1932 had already imposed duties on crude and even higher duties on refined products mostly at the urging of the IPAA. By the end of 1933, in summary, government and business interests had succeeded in cartelizing crude petroleum production.

There were four "problems" that would have made the producer cartel unstable and they were all eventually "accommodated." In 1935 the Interstate Compact to Conserve Oil and Gas was created (C.B. Ames of Texaco had been a leading industry advocate) to coordinate and dovetail prorationing decisions in the various states. Then when the Supreme Court swept the entire NRA away in 1935, the Congress—without hearings—passed Texas Senator Tom Connally's bill (dubbed the Connally "Hot Oil" Act) that made it illegal to transport interstate oil produced in violation of state prorationing requirements. And finally the courts, including the Supreme Court, declared state prorationing to be perfectly constitutional since its announced intent was "conservation" of resources in the "public interest" with only an incidental effect on price.

The final loophole in the crude oil cartel was closed by President Eisenhower in 1959. At the intense urging of small independent crude oil producers, mandatory import quotas were imposed on "foreign" crude. Import controls were also endorsed by API and the National Petroleum Council. Thus, the last vestige of a dwindling *"laissez-faire"* in crude production and selling was eliminated, and the industry-government arrangement legitimizing control over crude oil supplies was virtually complete.

The World War II and immediate post-war periods were years of intense cooperation and accommodation between the petroleum industry and government. Wartime emergency regulation re-created the militarist central planning and allocation system of World War I. Further, the federal government directly supported the oil industries' war effort with generous tanker subsidies, important pipeline construction, and various other direct and indirect subsidies. In the immediate post-war period, under the auspices of Marshall Plan reconstruction, a substantial portion of the European recovery aid from the United States taxpayers went directly to pay for oil shipped by large American oil companies exploiting "concessions" in several Persian Gulf countries. The oil was sold profitably at prices based on the higher Texas crude oil rates, and not on local market conditions.

Government and industry worked together abroad during those years to control foreign oil sources, especially in the Mideast. With State Department assistance foreign oil concessions were gained by American oil companies in many important Persian Gulf oil countries. This development was encouraged for a variety of reasons. In the first place the domestic prorationing cartel required *worldwide* supply control, and the foreign supplies were cheap and the wells incredibly prolific. Secondly, after 1950, "royalty payments" to foreign governments became "taxes" and were deductible dollar for dollar from domestic tax obligations; such a development greatly encouraged foreign oil investments. And finally, the U.S. (military) strategic thinking in the post World War II period was to "secure cheap foreign oil under American control" and, accordingly, conserve domestic supplies of crude for "national security" purposes. Thus, not surprisingly, the strategy and policy objectives of the government and the oil industry with respect to foreign oil were in remarkable coincidence during this period. And with world oil supplies under fairly tight "control," the price of crude oil remained remarkably (and uncharacteristically) stable between 1947 and 1967.

The energy crisis develops

The era of stability in oil prices ended abruptly toward the end of the 1960s. There were many reasons for this development, and some are *not* unrelated to the previous discussion. For example, after 1969—and culminating in the OPEC boycott period of late 1973—it became increasingly evident that the American oil companies were losing their nearly unilateral power to determine production levels and prices for foreign crude oil.

Although American companies held important "concessions" abroad, foreign host governments increasingly decided to withdraw first one portion, and then eventually all, of these so-called concessionary privileges. They demanded and received an increase in their "royalty," and then, in many important producing areas—Saudi Arabia in

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particular—assumed strong national control over crude oil production. Thus, in the absence of real property rights, the American oil companies proceeded to lose control over resources which they had never really owned (controlled) in the first place. The result was a sharp increase in the posted price for foreign oil and the beginning of what the public calls the "energy crisis."

A second factor which led to high oil prices (and in some cases, temporary shortages) was the higher costs imposed on the industry (at least initially) by anti-pollution laws and a concern for a cleaner environment. In the short period 1967-1971, emission control equipment on automobiles sharply increased gasoline consumption; the Alaskan pipeline was delayed 5 years due to environmentalist legal challenges; the oil spill off Santa Barbara in 1969 prompted a four year state moratorium on California offshore drilling, and a two year federal moratorium; oil refinery construction was repeatedly delayed (or abandoned altogether) because of environmentalist concern; and, most importantly, the Clean Air Act and various State laws restricting sulfur emissions prompted a massive industry shift from cheaper high sulfur ("dirty") fuel oil to low sulfur oil, especially by electric utilities in the Northeast.

It is *not* being suggested that this concern for a cleaner environment was (or is) misplaced; far from it. Rather, the relevant point is that this sharp shift in environmental concern in the late 1960s tended to increase the demand, decrease the supply, and otherwise increase the cost (and price) of oil and oil products.

Even more deeply, perhaps, it is being suggested that this environmental concern can be understood as a political backlash to the fairly cavalier views on pollution held by most oil executives up to that time. Pollution, after all, is a non-voluntary exchange which—like theft—violates the fundamental property rights assumption of the market economy. It is a market "intervention" in precisely the same respect as the interventions that have been reviewed in this report; *it tends to promote the interests of some at the expense of others.* Unfortunately, the present environmental restrictions are not property rights-based; rather than moving against property violations, the present restrictions on pollution activities are political and bureaucratic, and hence subject to the prevailing political winds, which may well be "anti-environmental" in the future.

Natural gas prices at the wellhead came under Federal Power Commission (FPC) regulation beginning in 1954 (the *Phillips* decision), and rates were effectively "frozen" during the entire decade of the 1960s. Prices for crude oil produced domestically were regulated under the Nixon controls of August, 1971, and have been controlled by the Federal Energy Administration (FEA) and the Department of Energy ever since. As a direct result of the price regulation, both interstate natural gas and "old" domestically produced oil sell well below free market or world market prices.

Price-fixing in crude oil and natural gas resulted in predictable consequences. Shortages brought about by governmental price-fixing in the interstate pipelines prompted the subsequent rationing and federal "allocation" of gas. Shortages in domestic crude prompted refiners to increase their demand for imported crude oil which propped up the OPEC cartel pricing system. In addition, price regulation created cost differences in crude oil to different refiners resulting in important competitive difficulties in the marketplace. Historically many independent refiners had relied on "cheap" foreign crude in order to compete with larger companies that had their own captive domestic supplies. In the 1970s, however, as foreign crude prices skyrocketed and domestic prices remained regulated, independent refiners and marketers began to complain bitterly that the crude cost differentials made effective competition with majors all but impossible. Thus to "fix" the competitive inequities produced by its own crude oil price regulation, the FEA instituted various "buy-sell" and "entitlements" programs to insure independent and crude-short refiners "fair" access.

There is little direct evidence that the entire oil or natural gas industries favored the *initial* system of price controls established in 1954; indeed, there is some evidence that certain segments of these industries bitterly opposed such regulation. What does seem certain, however, is that *after* the oil price regulation was in place for some months, important independent oil refiners and marketers began to lobby frantically for an extension and continuation of the control program and for modifications that would enhance their ability to maintain or increase their market share vis-a-vis the major oil companies. Led in their interventionist efforts by the Independent Refiners Association of America, oil representatives testified before various congressional committees that the very survival of the independent refiner and marketer depended mightily upon continued "government action to allocate crude oil and petroleum products." And although oil men occasionally gave lip-service to the desirability of a return to the free market, such visions were always framed in *very* long-run terms: short-run, the talk was of "working within the control system," offering "improvements," perhaps, in the regulations, and fighting to keep those parts of the system that currently benefited specific companies or specific segments of the industry.

Take, for instance, the almost classic interventionist debate that occurred over the so-called "small-refiner bias" in the entitlements program administered by the FEA. The Justice Department itself had maintained that the small-refiner entitlements bias represented an enormous *subsidy* to small refiners, amounting in the first six months of 1976 to some $211-million. Yet Frank Woods, Jr., chairman of the American Petroleum Refiners Association and Jason Dryer, executive secretary of the Independent Refiners Association of America, testified before the FEA that the small-refiner "bias" ought to be continued in the interest of "fair competition" with larger and more efficient refiners. Several small refiners that directly benefited from the entitlements "bias" also strongly supported the continuation of the program. The larger refiners, as might be expected, opposed the continuation of the entitlement bias and, indeed, of the entire entitlements program itself.

The same sort of industry split occurred with respect to the continuation of the FEA's mandatory "buy-sell" program. Crude oil sellers and the Justice Department argued that the program ought to be abandoned since the conditions that gave rise to it—the oil embargo—had clearly ended. Crude oil buyers, on the other hand, argued before the FEA that the program had to be continued. The Independent Refiners Association of America went on record as strongly favoring continued government mandatory allocation of crude oil, while the IRAA was forced to admit that small refiners had *physical* access to foreign crude, but maintained that such refiners still did not have

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"adequate access in *economic* terms." Further they argued that since the supplies of domestic crude were shrinking, the foreign oil buy-sell arrangements would become even more necessary—even "critically important"—as time went on.

Interventionist politics has not, of course, been a monopoly of small refiners or trade associations that represent their interests. The larger refiners and the more prestigious trade associations have habitually supported particular governmental energy controls, ERDA subsidies for energy development, forced conservation, and import restrictions. Thornton Bradshaw, Board Chairman of ARCO, has repeatedly championed governmentally enforced "conservation," and has even been totally explicit in recommending *permanent* "national planning" in energy. During the oil boycott period, leading oil executives from Texaco, Exxon, and ARCO supported stern federal "conservationist" measures including gasoline rationing. The American Petroleum Institute, supposedly committed to an unregulated market in petroleum (as a long run goal), has repeatedly adopted public positions at variance with that alleged commitment. The same can easily be said of several other trade associations in petroleum such as the Kansas Independent Producers, the Texas Independent Producers and Royalty Owners Association, and the National Congress of Petroleum Retailers. All have given lip-service to popular support for a return to the "free market" while—at the same time—recommending continued controls or regulations designed to further their own self interest or the self interest of their members.

The predictable result of this process has been the piecemeal creation of a crazy-quilt system of regulatory privileges and punishments that makes no economic sense whatever, but necessarily generates vast uncertainty and misallocation of energy resources. In short, business-generated interventionism has lead inexorably to the permanent and perpetual energy crisis of the 1970s.

Toward a new strategy

Intervention by government has not worked and has led, instead, to crisis, shortage, and privilege based on political power. It is imperative that we now adopt a *new* strategy designed to create a free and competitive market in energy. A free competitive market in energy can no longer be considered a utopian dream: indeed, it is the only practical (and moral) alternative, since interventionism and government planning in energy simply cannot work. If freedom and efficiency are to prevail in this industry, policy-analysts must act decisively to halt and reverse political intervention in the field of energy and energy markets. They must adopt a firm and consistent deregulatory philosophy with a totally free market in energy as their ultimate objective.

An essential element of any effective deregulatory philosophy (and strategy) must concern the fundamental *morality* of free market processes and the fundamental immorality of governmental interventionism. For too long supporters of private market exchange have retreated in the face of moral or ethical criticism concerning that system. They have been made to feel ashamed and apologetic concerning the system's major institutions such as private ownership, competition, and profit and loss making and have become, consequently, easy targets for further legislative "reform" and control of private property by political agents in the interests of their powerful supporters and "clients." Somehow government regulation, while not always efficient, has always been portrayed as "virtuous," "right," "fair," and in the "public interest." Nothing, of course, could be more absurd, and concerned parties must recognize and *advertise* this absurdity. It is the market system that is fair and just, since only in the market system are production and trade based on free choice and *mutual consent*—the prerequisites of truly moral behavior. Further, it is government intervention that must be exposed as inherently immoral since it interferes with the natural right of individuals to employ their own energies in ways which they—and only they—intend. It is vitally important that we understand this distinction and employ it as a tactical weapon in our fight for abolition of privilege and creation of an energy market free of political control.

It is unlikely that deregulation in energy will come suddenly and completely. The strategy of deregulation must recognize this political reality and work, instead, for the initiation of a process that results, ultimately, in total market freedom.

A total moratorium on any additional energy regulation must be the starting point for a new strategy. The next step in the deregulatory process would be an attempt to repeal existing interventionist legislation in energy. Certainly the most pernicious regulation in this area has been price-fixing in crude oil and natural gas, and strategically these controls would be the most vulnerable. Opposition here would emphasize the supply-reducing and investment-postponing effect of government price-fixing and the ultimate effect upon consumers of such policies. Further, we should emphasize both the inefficiency inherent in price regulation and mandatory allocation and the fundamental immorality of having bureaucratic and politically powerful interests determine how private property should be employed and at what prices.

We should support *any* proposal by the various energy regulatory commissions to exempt various transactions or products from existing regulation. In some cases it may be politically impossible to repeal legislation; yet market-advocates may be able to achieve the same short-run result *de facto* by an exemption of suppliers from existing controls. Indeed, just such an important exemption, of immediate benefit to consumers, has occurred in the air freight industry, and this deregulatory step should be extended to consumers of other goods and services.

With an end to pro-business interventionism, and with an intensive effort to repeal existing regulation and expand the areas of freedom within existing legislation, we can begin to reverse the momentum of government control in energy. The struggle to end interventionism and recreate the free market will not be an easy one; sixty years of industry-government cooperation represents a terribly long and entrenched political policy representing a powerful network of forces interested in preserving or expanding the interventionist system of privilege. But it *can* be done and it *must* be done if a free market of free men and women is to replace the controlled economy of "political-capitalism."

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THE POLITICS OF NUCLEAR POWER

DAVID COLE

It's easy to get bogged down in the technical, scientific aspects of the nuclear power issue. Most of us don't feel qualified to comment on complicated-sounding matters such as core coolants and meltdowns. It may seem to us that only the opinions of scientists are of any relevance to the question. This is certainly the impression given by many nuclear power advocates. The impression is a dangerous one, of course, because the nuclear scientists who would seem to be best qualified to make judgments on this issue may also have vested interests in the promotion of nuclear power. A closer examination of the controversy will reveal that not only scientific questions but also matters of politics and economics are relevant here—aspects which are comprehensible to the well-informed layman. Indeed, an examination of the political and economic aspects of the nuclear power issue reveals questions far too important to be left to the nuclear power "experts."

Political and economic considerations would seem to outweigh scientific ones, for example, when the extent of government involvement in the promotion and development of nuclear power is revealed. In recent weeks the public has become more and more aware of such involvement, especially in the wake of the Three Mile Island accident, when government and industry officials issued essentially identical statements assuring us that there was nothing to worry about. For those interested in examining this government-industry connection, a number of books and reports are available. Irvin C. Bupp, an American nuclear consultant, and Jean-Claude Derian, a French scientist, have written *Light Water: How the Nuclear Dream Dissolved* (Basic Books, 1977), a work which examines the parallel development of the American and European nuclear power industries and emphasizes the U.S. government's promotion of the "light

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water" reactor over other, relatively less hazardous designs. An earlier book, *The Careless Atom* (Houghton Mifflin, 1969), by Sheldon Novick, a scientist and environmentalist, contains revealing sections on the government-sponsored development of nuclear power in the 1940s and 1950s, especially in the chapter entitled "The Problem of Insurance."

What emerges from such an investigation is a portrait of a technology whose origins are to be found in wartime demands for advanced weaponry. With the passage of time, it became part of American foreign policy to promote civilian applications of this technology. But it quickly became apparent that the risks and costs involved were too great for the private sector of the economy to exploit the technology profitably. At this point, the government stepped in to underwrite the costs of civilian nuclear development and to limit the power companies' liability for any accident that might result.

The origins of nuclear power

To begin the story of the civilian nuclear power industry, we must go further back than we might expect—to World War II. It is important to realize that the technology now being used for commercial nuclear power plants was first developed for wartime applications.

After the achievement of the first atomic chain reaction, scientists, including Albert Einstein, urged the American government to develop nuclear technology before the Germans could. The government finally heeded this advice, and the result, of course, was the Manhattan Project. The first reactors built by the government were designed not to generate electric power but to produce material for atomic bombs.

Another application of nuclear technology was as a power source for military vessels, especially nuclear submarines. The submarines in existence at the beginning of the war were constantly in need of refueling and could remain submerged only for short periods of time. But a submarine powered by an on-board nuclear reactor would be a much more effective weapon. The nuclear power source could function underwater, unlike fossil-fuel engines, and would require less frequent refueling. During the war, the top military brass haggled with each other over which aspect of nuclear technology—nuclear bombs or nuclear vessels—should be given highest priority. After the war, the building of nuclear bombs was cut back, but the search for a nuclear submarine continued. The reactors to be used by the nuclear subs were forerunners of the reactors to be employed by the commercial nuclear power industry. This development proceeded under the Atomic Energy Act of 1946, under which only the government could own reactors.

The next important episode in the development of commercial nuclear power came in the early 1950s. By then the United States had lost its monopoly on the bomb. The Soviet Union had exploded a device, and the United Kingdom was at work on its own weapons systems. The Eisenhower administration decided that the national interest dictated an effort at American control of nuclear development around the world. Hence, the "Atoms for Peace" program.

President Eisenhower outlined the "Atoms for Peace" policy in a speech before the United Nations General Assembly in December of 1953. The legislation to put the

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program in motion was passed by Congress several months later. In their book, Bupp and Derian examine the components of this program in some detail.

A new federal law opened the way for the foreign electric utility companies and governments to build "demonstration" nuclear power plants in cooperation with American manufacturers. Shortly thereafter, the United States Atomic Energy Commission created special incentives for foreign investment in similar projects.

By 1956, the Atomic Energy Commission and the Export/Import Bank had agreed on joint action to help finance demonstration reactors in countries which had entered into bilateral "Agreements for Cooperation" with the United States Government. These loans could only be used to buy equipment, materials, and technical services from the American nuclear industry.

The American government was thereby financing the development and refinement of commercial nuclear power technology in Europe. Ironically, incentives and loans were being made available to Europeans which were not available to American utilities. In comparison with Europe, then, American nuclear power technology was proceeding under a severe handicap.

This handicap did not prevent the construction of the nuclear plant in Shippingsport, Pennsylvania, however. The Shippingsport plant became the first nuclear plant in America to supply commercial electrical power. Its main purpose, however, was to provide a model for a reactor to power a nuclear aircraft carrier which the Navy hoped to build. The Navy, Westinghouse, and the Duquesne Light Company persuaded the House Appropriations Committee and the Joint Committee on Atomic Energy to provide partial funding. This reactor is described by Bupp and Derian as "the first major step toward commercial nuclear power in the United States."

But, of course, the Shippingsport reactor was only a prototype; substantial obstacles to full-scale nuclear power development remained. The Congress undertook to rectify this situation with its rewrite of the Atomic Energy Act in 1954. Congress, according to Bupp and Derian, "completely rewrote federal atomic energy legislation to allow private ownership of reactors under Atomic Energy Commission license." Although the reactors would be privately owned, government involvement in their construction would be substantial. "The AEC would, for acceptable proposals, waive all charges for the use of fissionable materials, undertake certain basic research in its National Laboratories at government expense, and enter into fixed-sum research and development contracts to procure technical and economic data for the applicants."

It is at this point that a most curious development takes place in the promotion of nuclear power. Many of those most actively involved in the anti-nuclear movement approach the issue with a leftist, socialist orientation. But how many of them are aware that public utilities such as the TVA played a major role in the development of nuclear power technology?

The 1954 legislation left a substantial burden of the cost of development on the power companies themselves. As Bupp and Derian write, "The fixed-sum commitment placed a ceiling on AEC participation, so the applicants would bear the projects' economic risks." Public power advocates now began to fear that they might be left out of the nuclear bonanza. Private utilities had the financial capacity to bear risks and costs that the public-power groupings could not. The public utilities therefore prevailed upon the AEC to make the terms of the federal subsidy even more generous. The Commission chose to reinterpret its mandate from Congress to allow more direct government financing of nuclear plants. According to Bupp and Derian, "This time the Commission would consider requests for financing reactors in whole, or in substantial part, but it would retain title to that portion it financed." This interpretation went into effect in September 1955.

Even after September 1955, however, private development of commercial nuclear power proceeded slowly. In Congress, complaints were being heard that the United States was lagging far behind Europe, and especially the United Kingdom, in the development of this technology. As a result, Congress in 1956 began consideration of the most blatant example of government intervention in electric power generation: The Price-Anderson Act, which was passed in 1957.

Insurance against nuclear disaster

It was discovered that the major obstacle to private nuclear power development was the problem of liability for possible accidents. Novick's book quotes the report of the Joint Committee on Atomic Energy which accompanied the Price-Anderson Act: "It was brought to the attention of the Joint Committee in the 1956 hearings . . . that the problem of possible liability in connection with the operation of reactors is a major deterrent to further industrial participation in the program . . . .The problem of liability has become a major roadblock" The Joint Committee therefore took testimony from representatives of the insurance industry so that the nuances of providing insurance for nuclear plants might come to light. Novick describes the gist of the insurance representatives' testimony:

The problem was simply that insurance companies politely but firmly declined to insure reactors for anything like the full amount of risk. Testifying before the Joint Committee, several insurance company executives made the point that there was simply not enough experience with reactors to make normal insurance possible; since no estimate of the likelihood of an accident could be made, the insurance companies could have no basis on which to issue a policy.

It is especially interesting to consider some direct citations from the testimony given to the Joint Committee by one insurance industry representative. Novick quotes one Hubert W. Yount, who at the time was vice-president of Liberty Mutual Insurance. Mr. Yount appeared before the Committee as a representative of the American Mutual Alliance:

The catastrophe hazard is apparently many times as great as anything previously known in industry and therefore poses a major challenge to insurance companies . . . We have heard estimates of catastrophe potential under the worst possible circumstances running not merely into millions or tens of millions but into hundreds of millions and billions of dollars.

It is a reasonable question of public policy as to whether a hazard of this magnitude should be permitted, if it actually exists. Obviously there is no principle of insurance which can be applied to a single location where the potential loss approaches such astronomical proportions. Even if insurance could be found, there is a serious question whether the amount of damage to persons and property would be worth the possible benefit accruing from atomic development.

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Of course, conservatives and other nuclear advocates would never concede that this is a "reasonable question of public policy"; they ridicule fears of a possible nuclear accident. But this assessment of risk comes not from a radical, a socialist, or an "eco-freak," but rather from a representative of American capitalism itself. Surely the insurance industry can be assumed to have made as careful and rational an assessment of the risk as possible. If the risk is reasonably small, the companies can profit from insuring it, but if it is too great, they must refuse to insure it in order to protect themselves.

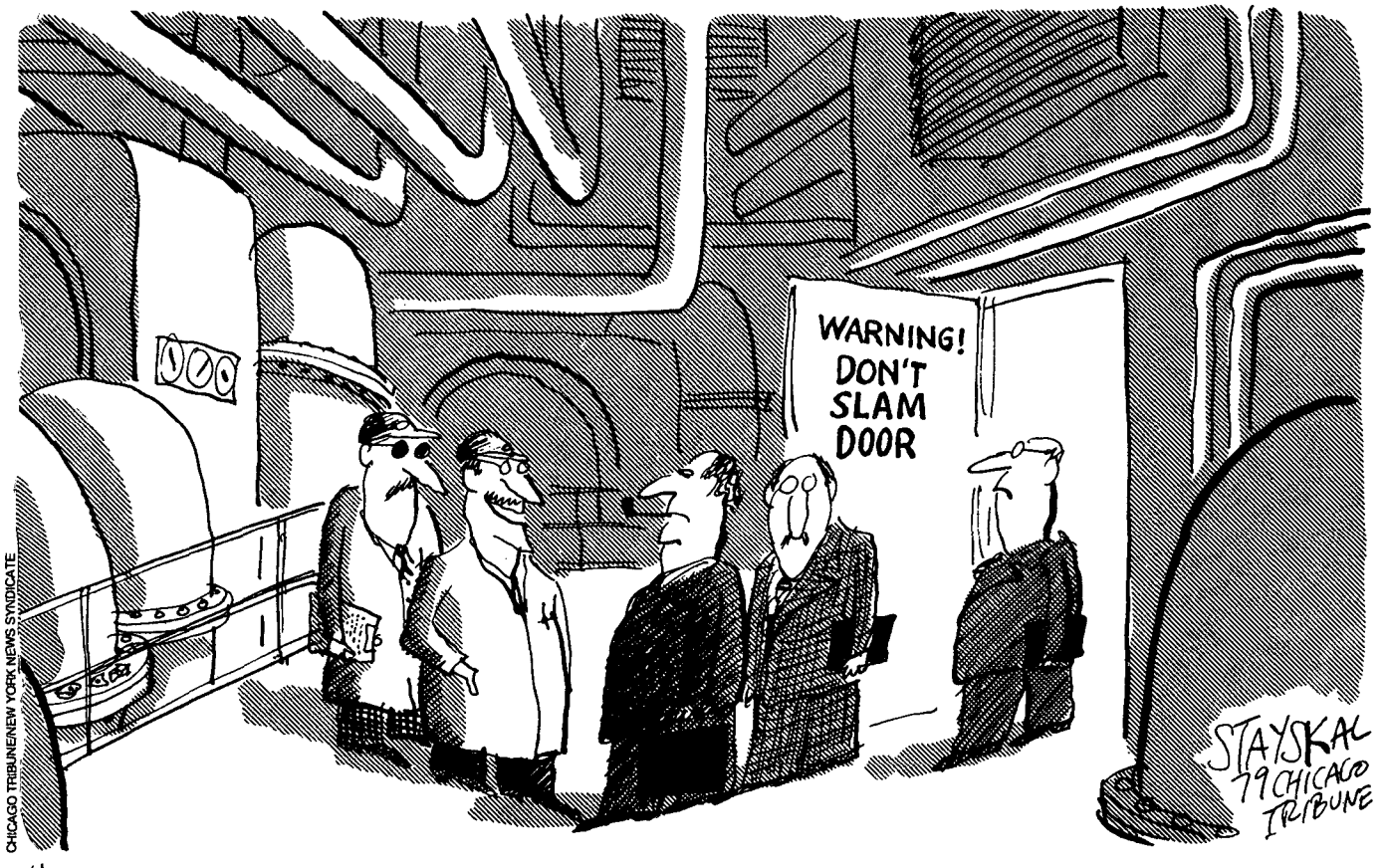
It must be concluded that the situation with regard to insurance companies' willingness to underwrite private nuclear power plants remains essentially the same as it did in 1957. In 1965, the Price-Anderson Act was extended for a second ten-year period (1967–77), largely on the basis of testimony that indicated that the insurance companies were still unwilling to assume more than a small fraction of the potential risk. (As it is now written, the Act is to be automatically extended every ten years.)

Since 1965, the government has released the Rasmussen Report, which projected only a tiny risk of a catastrophic nuclear accident. But in the wake of Three Mile Island, the credibility of the Rasmussen Report must be considered to have been seriously impeached. In fact, the Nuclear Regulatory Commission (NRC) has since withdrawn its own endorsement of the report's findings. According to the report, the chances of an accident such as the one at Three Mile Island should have been so minute as to have been almost impossible. Also, the development of a hydrogen bubble within the reactor was completely unanticipated. It would seem, then, that we still lack an accurate assessment of nuclear-plant risk.

We now turn to the details of the Price-Anderson Act itself. Novick describes it as providing "a straightforward federal subsidy to a multibillion dollar industry . . . an intrusion of the Federal Government into the power industry and into the insurance industry which establishes a radical precedent, and . . . effectively passes the risks of the reactor industry on to the taxpayer." The Act limits liability for a nuclear accident to $560-million, or about one-fourteenth of the 1957 estimate of $7-billion in potential property damage from such an accident. As Novick writes, "This 'limitation of liability' clause assures private utilities that no matter how bad an accident is, they will not suffer any financial loss."

The Act at least requires the utilities to obtain as much coverage as possible. Three insurance combines have been formed, one including mutual insurance companies, another including stock companies, and a third to draw on the insurance companies of Europe. Together, they have been able to muster $60-million worth of coverage—only one-ninth of even the federally limited liability of $560-million.

As a postscript to our consideration of the Price-Anderson Act, we should consider how vital it has been to the continued growth of the nuclear power industry. In its 1965 hearings on the extension of the Act, the Joint Committee heard from among others, Mel Frankel, a nuclear engineer and consultant to the Los Angeles Department of Water and Power. He testified: "Without the protection which presently is provided by the Price-



"WE WELCOME YOUR INSPECTION, GENTLEMEN. I THINK YOU'LL FIND OUR NUCLEAR PLANT CAPABLE OF WITHSTANDING ANY EARTHQUAKE POSSIBLE!"

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Anderson Act, it is doubtful that any utility would consider it prudent to build nuclear plants." If the Act were to be repealed, existing nuclear power plants might even have to be shut down.

The growth of the nuke industry

With the passage of the Price-Anderson Act, the most important chapter in the story of government involvement in nuclear-power development comes to a close. After 1957, forces were set in motion that dictated that nuclear power was to provide an increasing percentage of America's electricity. In December 1963, the Jersey Central Power and Light Company announced the purchase of a nuclear reactor from General Electric for use in a power plant at Oyster Creek. As Bupp and Derian write, "It was the first time a nuclear power plant would be built without any *direct* [italics mine] subsidy." But, of course, only the combined efforts of the AEC and the Congress created the environment in which this purchase was possible. In 1979, dozens of such plants dot the American landscape.

A considerable bureaucratic framework with a vested interest in the continued growth of atomic power remains in place. The Joint Committee on Atomic Energy was formed as a Congressional watchdog over the Atomic Energy Commission, but the years have seen a considerable exchange of staff between the Committee and the Commission, with the result that the Committee's watchdog function has been compromised. Recent years have seen the formation of the Nuclear Regulatory Commission, which supposedly has taken over the regulatory functions of the AEC. Presumably the AEC's only remaining function is nuclear power promotion.

The bureaucracy continued to bail out the industry whenever necessary; the latest instance has been in the area of waste disposal. As a recent *Inquiry* editorial pointed out, "It is the Department of Energy, not the utilities, that is pouring $449-million into disposal technology; the U.S. Geological Survey, not the utilities, that is searching for storage sites. As usual with nuclear power, the taxpayers are footing the bill."

What we see here, then, is a scenario all too typical of our corporate-state economy. On the surface, we appear to have a clear case of private business interests on the one hand against anti-capitalist regulators on the other. Indeed, as we have noted, many of the nuclear critics have a left-of-center orientation. But if these critics appear to have a bias against capitalism, it could be due to their observations over the years of how "capitalism" seems to work in this country. As Novick writes, "This may sound like an odd sort of free enterprise—the taxpayer assuming the risk and private industry accepting the profits."

In this light, it's clear that the conservative tactic of ridiculing nuclear critics is destructive to the cause of maintaining a market economy within the energy industry in general. If the average John Q. Public gets a couple of DWI's, thus becoming a "bad risk," he can't get the federal government to intervene on his behalf and underwrite his automobile insurance. The nuclear power industry, on the other hand, seems to be in a more privileged position. To the public, this kind of "free enterprise" seems to consist of bending or changing the rules whenever necessary to protect the profits of big business.

The commentators of the "vital center" answer this criticism by asserting that the country is already committed to nuclear power, that we'll have shortages and brownouts without it, and that alternatives such as solar energy are economically feasible only in the extreme long run. This argument contains a whopping half-truth, however; responsibility for any such brownouts should rest with Congress, the AEC, and the utilities, not the anti-nuclear forces. We already have the technology to build commercial electric power plants using solar collectors; the only drawback is that the special metals needed to make the solar collectors are too expensive for the technology to be economically competitive. But reducing the cost of producing such devices is the type of problem that American industry has been solving ever since the Model T. With nuclear power, however, our problem is not nearly so simple; it could be compared to finding a container that would hold a universal solvent. If some of the resources that the government has channeled into nuclear research since World War II had gone into solar research instead, who's to say that by now we wouldn't have an economically feasible solar power technology?

Finally, we might observe that it's unfair to characterize this criticism of nuclear power with the rhetoric that we've been hearing from the right wing. Both the Novick book and the one by Bupp and Derian bend over backwards to be fair to the nuclear industry. Here are representative excerpts, first from Novick,

> Used properly, atomic energy might be a valuable force in the civilian as well as the military economy. Reactors can be safe and clean; further research might make them so, at a price which would still allow their use in a competitive economy. The passage of the Price-Anderson Act has removed the incentive to do the needed research, however, and instead we are developing, not safer, but more dangerous reactors . . . the hazards of which make even the present plans for huge reactors in the hearts of cities seem tame.

Now from Bupp and Derian:

> [Let us] stress from the start that we are "for" nuclear power in the sense that we share with the majority of our colleagues and associates the belief that it has an important job to do. The world needs nuclear power to meet an important share of energy requirements. . . . We believe that a hard look at what appears to have happened in the past is the key to a more acceptable future.
>
> Among all of the comments we have received on our manuscript in the past year, the one that has struck us most sharply was from a French government official. "What you have told," he said, "is the story of the abuse of a technology."

In truth, what is at issue is not whether we are "for" or "against" nuclear power, but whether we should permit such massive government intervention in the energy industry. Up to now, the nuclear interests have represented their opponents as advocates of excessive, unreasonable regulation. Why, then, doesn't some Congressman with anti-nuclear leanings propose the repeal of the Price-Anderson Act? This would completely turn the tables of the debate, making the nuclear interests into the proponents of regulation. Such a proposal would be a genuinely novel approach to reform, breaking the stranglehold of stereotyped rightist and leftist positions. It could be the first step toward generating light rather than heat over the nuclear power issue. ❑

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NUCLEAR POWER AND THE FREE MARKET

PATRICK L. LILLY

To talk about nuclear power policy is to talk about risks. Today, especially since the breakdown at the Three Mile Island nuclear plant in Pennsylvania, nearly everyone is talking about risks. All the same, some important points keep getting missed, with the result that the application of free market principles to the nuclear issue is being badly distorted. Many people now believe that Dr. Petr Beckman is *the* definitive spokesperson for the libertarian community on this issue, and that all who oppose a pro-nuclear public policy are socialists. This is simply not the case. Some of Dr. Beckman's arguments are seriously flawed, and he seems to take no notice of the heavy involvement of the federal government in producing the nuclear power industry as we know it today.

One consistently missed point is the difference between the level of a risk and the severity of the thing(s) risked. Probabilities—risk levels—can be objectively calculated, but they can only be compared with complete objectivity to things of roughly equal severity. Virtually all the risks involved in the large-scale use of nuclear power are risks of very large, even unmanageable problems and accidents. That the risks are small, often very small indeed, is true, as Beckman and others often point out, but this is largely beside the point. In formulating long-range public policy, there simply must come a point where we say "No, this is simply too severe a disaster to risk; we must not add *any* to its probability." The risk of a core melt-down, or a fire, or any other mishap which would release radiation from a nuclear reactor may be very small, but if it did happen, the resulting disaster would be of gargantuan proportions, beyond most people's psychological ability to cope, perhaps beyond the human race's genetic ability to cope, and certainly beyond the ability of the government to cope with the social and political results. Even without the

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release of any radioactivity, any breakdown of a nuclear plant will knock it out of operation (as Three Mile Island currently is), not just briefly, but for a *long* time. The Three Mile Island reactor will be shut down for *at least* three years, according to President Herman Dieckamp of General Public Utilities. If we depend upon a relatively small number of huge nuclear generating stations for most of our electricity, losses of power might be few, but those which did occur would be huge and long-lasting. How can this be reasonable policy?

Then, too, there is the cost. The Three Mile Island reactor now represents a huge capital loss. It is unuseable. It will cost millions to clean up and decontaminate. This *one* accident—consistently described by Dr. Beckman and his sympathizers as minor—has drastically increased the cost of producing electricity in Pennsylvania. The capital loss, in fact, is so huge that the nominally private company responsible has already asked for a federal bail-out, openly admitting that it cannot afford to clean up after itself and maintain proper financial liquidity. The Three Mile Island complex is owned by General Public Utilities (a public/private utilities conglomerate) and Metropolitan Edison, one of GPU's wholly-owned subsidiaries. In a statement to stockholders on the 9th of May, 1979, GPU Board Chairman William Kuhns said that, without new money, "in a few months, the entire GPU system would face insolvency." GPU is seeking bank loans and rate increases as well as federal help and has cut employment, salaries and construction budgets, all to try to meet the skyrocketing costs which have resulted from the Three Mile Island breakdown. Even so, the company is on the brink of financial disaster. How can it be sane public policy to go ahead with developments which create problems for which those involved cannot shoulder the responsibility? And remember, this was a minor accident; what about a really big one?

"There is no need for an anti-nuclear government policy to put a stop to nuclear power development. The market will do it for us."

We shall return to this economic point. But first, some of the technological arguments used to promote nuclear power need to be subjected to realistic criticism.

Dr. Beckman recently stated that "there never was a time when a meltdown was close" at Three Mile Island. It all depends on what one wants to call "close." The reactor core was partially exposed (that is, deprived of its high specific heat coolant), and was badly damaged. Several unpredictable, nonsensical human errors let things get that bad after initially minor problems had developed. Though two or three additional things would have had to go wrong in order to melt the core, those things weren't any different in character from the mistakes which *were* made. Given the interweaving of design flaws in the reactor and human operator errors, it seems quite reasonable to say that the reactor core came close to melting down. In the final analysis, it was just blind luck that it didn't.

Pro-nuclear people have also downplayed the fact that a hydrogen bubble formed inside the reactor, and some of it apparently exploded. Dr. Beckman says this shows how strong and safe is the containment building which withstood the explosion. But what he ignores is that all the computer-model tests of nuclear plant safety systems (which was all there was until Three Mile Island) indicated that the formation of a hydrogen bubble was impossible. No one expected it to form. No one expected it to explode. So one must ask: "How many other problems which may occur are completely unforeseen by the nuclear planners?" We just don't know.

It has repeatedly been stated, by Dr. Beckman and others, that no one died as a result of the Three Mile Island accident. The truth is that no one has died *yet*, which is an altogether different matter. A rather large amount of water was heavily contaminated with radiation due to the errors made in responding to the initital breakdown. That water has to go somewhere, carrying its radioactivity with it. If any more mistakes or errors of judgment should occur in the cleanup process, or if the storage of this radioactive waste should prove in any way faulty, there may well be casualties as a result of this accident. Either workers involved in the cleanup process or some innocent persons living or working near a waste disposal site could be exposed to radiation. One of the worst aspects of this is that, if the "disposed of" radiation ever leaks, people could contract cancer and die without ever realizing the ultimate cause of their disease.

Comparisons have been made, too, between the levels of radiation released at Three Mile Island and that which is present from various natural background sources, principally the sun. But these comparisons, like those of risk levels, have an apples-and-oranges side to them. The radiation coming from the radioisotopes contained and bred in a nuclear reactor is not qualitatively identical to what falls on us from the sun. It is highly concentrated around just a few specific frequencies (wavelengths). This may make it much more dangerous to organic tissue per quantitative unit than background radiation, which is more spread out over a broad spectrum.

Indeed, when we look at the total risk calculations offered up by Dr. Beckman, we can see that, although he does his math correctly, there is still a heavy subjective component in his reasoning. He says that nuclear power is the safest known form of electrical power, comparing potential plant breakdowns to, for instance, the breaking of a hydroelectric dam or mining deaths from mining coal. But he gives no weight at all to, for example, the diminution of civil liberties which must accompany growing government involvement in the production, transportation, storage and use of nuclear fuels. While he figures in miners' lung diseases, he makes no allowances for the lives which might be lost to terrorists attempting to steal plutonium or to the lives which might be lost or disrupted by the actions of government agencies trying to foil their plans. Even on a purely mathematical level, it seems naive at best to presume that we have accumulated enough data to predict reliably what the frequency of various kinds of mistakes and accidents will be in an indefinite, nuclear-dominated future.

Finally, we come to the most politically significant flaw in all the risk calculations used to sell nuclear power to the American public. They are all strictly macroeconomic. They assume that one and only one decision must be made for everyone. They tacitly or explicitly push a centralized source

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of power for everyone. They talk about economies of scale, assuming that everything will work as planned, while ignoring all the diseconomies of scale which stem from the fact that complex plans *never* work out exactly as planned. And they clearly embody the collectivist notion that all of us, as a unit, must make one unified decision. This is particularly distressing when it comes from someone like Dr. Beckman, who describes himself as "pro-free enterprise" and who is increasingly seen as the voice of the libertarian community on this issue.

The ugly political reality, when all the debates over technology are done, is simply that anyone who proposes that this country's existing nuclear development plans be continued or expanded is not just pushing nuclear power, but is pushing government-supported, government-regulated, and government-controlled nuclear power. That's all we've ever had, and, in all probability, all we ever can have.

Nuclear power: creature of government

The nuclear industry as it exists today is absolutely *not* a creature of free enterprise. It is a creature of the federal government and its monopoly-oriented cronies in business and industry, and it was brought into existence, not through the operation of market forces, but through political intervention in the economy.

We can see very clearly that this is the case once we note the existence of the Price-Anderson Act, which limits by law the total liability of nuclear plant operators to $560-million in the event of any kind of reactor accident, and makes the federal government liable for the bulk of even that figure. The nuclear developers knew from the beginning that they could not afford to assume the full responsibility for the results of their schemes. So did the insurance industry, which flatly refused to insure nuclear plants, *until the Price-Anderson Act was passed.* Proponents of nuclear energy like Dr. Beckman never, never, never talk about the Price-Anderson Act. One is driven to ask: "If nuclear power is really all that safe, why do those who expect to profit from the successful operation of a nuclear plant insist on being allowed to wash their hands of their responsibilities if the operation turns out to be *un*successful?"

OTTAWA CITIZEN

The conclusion seems inescapable that the free market probably would not support a nuclear industry of any significant size. The costs and risks are just too high. But the government does support the nuclear industry, because it can pass the risks on by law to the general public and the taxpayers. (Those interested in a more quantitative analysis of the politics and economics of nuclear power should see my article, "Market Prospects for Nuclear Power," which appeared in the January/February 1978 issue of *Libertarian Forum.*)

The nuclear industry continues to lobby heavily for the continuation of the Price-Anderson limitation, even as costs rise out of sight. Several years ago, projections estimated the dollar value of damage done by a major nuclear plant disaster to be anywhere from one to thirty *billion* dollars in property damage and medical costs. And yet people like Dr. Beckman continue to support the continued government subsidization of an industry which flatly refuses to take responsibility for its actions, even while it talks about "free enterprise."

To repeat: The free market probably would not support a nuclear industry of any significant size, and those who advocate the continued existence of the nuclear power industry are advocating, not a free market phenomenon, but the nurturing of a cartelized industry controlled and subsidized by the federal government.

When it comes down to what to let people do, I'm in superficial agreement with Dr. Beckman: let anyone who wants to develop all the nuclear plants he wants. But he must do it with his own money, and he must assume full liability for anything which goes wrong. If Dr. Beckman were right, he shouldn't have any problems. Unfortunately, the market has already spoken, and he has problems aplenty. When it comes down to what policy the government should adopt, I am equally disinterested in pro- and anti-nuclear policies. There is no need for an anti-nuclear government policy to put a stop to nuclear power development; the market will do it for us. And for reasons having to do both with economics and with civil liberties, the American people should rise up in vehement anger at the government's current policy of subsidizing, protecting, and lying for the nuclear power industry. To turn our future over to the centralized planners who have created the existing nuclear boondoggle, to allow them to make each one of us dependent upon their unpredictable, politically-dominated, centralized power source, will be political and economic suicide, whatever the technological figures show. But if the movement to derail the federal nuclear juggernaut isn't kicked into high gear soon, it may well be too late. For this reason if no other, I welcome the outrage which has arisen in response to the breakdown at Three Mile Island and the upsurge of anti-nuclear protests it has provoked. It is, unfortunately, true that many of the individuals involved in these protests have an understanding of economics that can charitably be described as inadequate, and that many of them firmly believe in various strains of socialism. They wrongly blame corporations, instead of government, for the mess we are now in. But those who push nuclear power are, whether they realize it or not, supporting a scheme which is a manifestation of socialism in its worst form: fascism. A government in control of nuclear power is a government far too dangerous to fool around with. ❑

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NUCLEAR POWER AND NUCLEAR PROLIFERATION

MILTON MUELLER

Nuclear energy is, in the last analysis, the bastard child of The Bomb. As such it represents a bond between energy and American foreign policy that is unique and intimate. Nuclear power is not like oil, an energy source well established by the market economy and then appropriated for military ends. Tanks, battleships and troop trucks may need oil to function, but these weapons are merely perversions of technological forms developed by a civilian economy. With the atom, the situation is precisely reversed: nuclear power plants were designed because the government held in its hands the awesome power of The Bomb and decided *afterwards* that something constructive had to be done with it.

This kind of inversion is just what we might expect from the 20th century—the century of the "total state and total war," as Ludwig Von Mises put it. The technology, the safety and, to a lesser extent, the economics of nuclear energy have all received widespread public discussion. But it is my belief that nuclear energy must be approached *historically* to be properly understood. Born in war, developed in secrecy under enormously expanded Executive powers, the nuclear power and weapons complex mixes the promise of plenty with the threat of savage violence. The demands of energy, defense and foreign policy have been fused together into one military-industrial complex ruled by a federal energy bureaucracy and its suckling corporations. This historical fusion of the military and civilian atom has dogged and blighted atomic energy since its beginnings; whether it is the international trade in uranium, the decision to build breeder reactors, nuclear waste disposal or the export of reactor technology, no discussion of nuclear power is meaningful without exploring its origins in the war machine and the lasting influence of its military roots.

When the Japanese cities of Hiroshima

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and Nagasaki were devastated by the searing explosion of the Atom Bomb in August of 1945, President Harry Truman viewed the combination of blast and fire and radiation that had killed 110,000 people and wounded 130,000 as "the greatest achievement of organized science in history." Two months later, Truman and the scientific-military elite announced that "the first and most urgent step is the development of our domestic policy for the control, use and development of atomic energy within the U.S." And on October 3, 1945, President Truman submitted legislative recommendations to the House Committee on Military Affairs to establish an Atomic Energy Commission (AEC) with drastic and sweeping powers over the research, development and use of virtually anything peculiar to nuclear fission.

The government had been brooding over what to do with the extraordinary power of the atom for some months after the war. In May of 1945—two months before tests in New Mexico proved conclusively that the A-bomb would work—Secretary of War Henry Stimson appointed a committee to draw up legislation to "insure that this discovery would be controlled and developed in the best interests of the people of this country." Stimson's appointments to the Committee consisted of several well-known representatives of the "best interests of the people." Stimson himself, a Wall Street lawyer with strong ties to the banking industry, chaired the Committee. Also included were George L. Harrison, former chairman of the Federal Reserve of New York and President of the New York Life Insurance Company; James F. Byrnes, soon to be Secretary of State; Ralph Bard, Undersecretary of the Navy; William Clayton, Assistant Secretary of State; Vannevar Bush, President of the Carnegie Institute and Director of the Office of Scientific Research and Development (OSRD) during the war; James Conant, President of Harvard and chairman of the National Defense Research Committee; and Karl Compton, the President of MIT who worked under Bush at the OSRD.

The program conceived by these assembled barons of the corporate state amounted to the virtual nationalization of the atom. The AEC, to be comprised of "nine distinguished citizens" appointed by the President, would control all government land and minerals needed for nuclear fission and would have the power to acquire, by purchase or eminent domain, any such land or materials in private hands. Any researcher involved with nuclear fission and radioactive substances had to acquire a license from the AEC. The act declared it unlawful to produce or use the substances of atomic energy, or to import or export them, except under the control of the AEC. All patents pertaining to atomic energy and fission became the property of the Commission. Finally, the AEC was charged with maintaining secrecy by establishing security regulations for the handling of all "information, material and equipment" connected with nuclear fission. As the editors of *The Progressive* discovered recently, this meant *all* information not specifically declassified by the AEC.

Even for postwar America, these powers were sweeping. As Representative John Sheridan of Pennsylvania noted, "the powers we gave under the Second War Powers Act to the President during the war could not exceed the authority

THE BETTMAN ARCHIVE

President Harry S. Truman speaking in San Francisco in 1951, one year before authorizing development of the hydrogen bomb.

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given by this bill in peacetime." But the massive destructive power of the atom contributed to the kind of mystification and scare tactics that governments always exploit in an effort to expand their control. Dr. Vannevar Bush even raised the old saw that "I certainly do not wish to think that some group of experimenters might set up a laboratory half a mile from my house and family and experiment on atomic energy carelessly, poison the neighborhood, or possibly blow it up. We have never had a thing of this sort to control." Conjuring up an image of mushroom clouds rising over peaceful neighborhoods was almost certainly cynical manipulation on his part. Why did the government have to own all nuclear patents to protect the public? Why did the government have to own all uranium supplies and give an executive commission carte blanche over atomic energy to prevent people from blowing their neighborhoods up? Even more ironically, it is clear now that the biggest threat to public safety has come from the AEC's own nuclear testing program, as Marshall Schwartz points out elsewhere in this issue—not to mention the dangers of the arms race itself. But scare tactics and the hubris of atomic monopoly won the day, as witness Representative Chet Hollifield of California, who gushed: "We are dealing with a subject that is so big, and of such pioneer impact, that the ordinary laws relating to commerce, patents and so forth, must be conceived in their relative insignificance [to] the subject under discussion." Commented Dr. Bush: "We are entering a new world. We are entering a new world that is very different from the one from which we emerged."

"Is the U.S. subsidizing the construction and export of nuclear power plants in order to produce electrical power —or political power?"

The U.S. was entering a new world, all right—a world of unprecedented state power, a permanent war economy, and an arms race of unparalleled destructive potential. As the bill wound its way through Congress, the key battles were fought over civilian vs. military control, the amount of influence and power given to Congress, and various details of minor importance. But the essential powers of the AEC remained the same. When it finally passed, the Atomic Energy Act of 1946, both the bill itself and the kind of arguments used to support it set the style and tone for this nation's use of the atom.

The most distinctive feature of America's postwar atomic development was the strange and uneasy mixture of military and civilian applications in the same agency. The atom had two faces, one bright and the other dark: it was both a wondrous new technology and a destructive weapon of mind-bending dimensions. What is interesting is that while these two sides appeared to be opposites, they in fact fed upon each other. The very destructive power of atomic weaponry helped to sustain the vision of nuclear power as a revolutionary, almost limitless energy source which, if tamed, would be a major breakthrough for the entire world. At the same time, this vision of tremendous civilian applications helped to justify and sustain the full-scale pursuit of atomic weaponry—and the state control of all atomic resources required by it. Representative Jerry Voorhis gave voice to a sentiment that fit in conveniently with the less idealistic pronouncements of the militarists when he said, "I want our country to go ahead with developments. I am in favor of our keeping ahead, but I want to make it clear to the world that we are trying to do that for the sake of the peacetime benefits. . . ."

But the following dialogue between Representative Andrew May, chairman of the Military Affairs Committee, and Secretary of War Robert Patterson best reveals the ambivalent mixture of military and civilian concerns:

May: Mr. Secretary, do you recall when this matter first came up early last year, I was in Kentucky and called you by long distance telephone and suggested that speedy action ought to be taken to see to it that legislation was enacted to enable us to protect the military secret of the atomic bomb?

Secretary Patterson: I think I do; yes.

May: In pursuance of that the Secretary of War then appointed this Committee to which you have referred that went to work on a study of how to make it secure, and what legislation was necessary, I believe?

Secretary Patterson: Yes, sir; that was in May of last year. Secretary Stimson and his assistant, Mr. George Harrison, came to the conclusion that within a few months bombs would actually be dropped. All indications were that they would be a success . . . so it seemed to them that it was time to give study to long-range utilization of the Manhattan Project.

The Secretary discussed that with the President, and with the President's approval, he appointed that eight-man Committee. That was the start, so far as I know, of all effort and all study having to do with the postwar development of atomic energy.

That Committee came to the conclusion that legislation was required and that they would recommend in the legislation that the matter be turned over to a civilian agency, taken out of the War Department, because it had so many possibilities of a peacetime character that the War Department had no mission in relation to it. That was the fundamental point in the study given it by the eight-man committee.

May: My view about the matter is that the technique of the atomic bomb and the secrets connected with it constitute a vital military secret; and that that secret ought to be preserved while at the same time we should allow research and development of whatever features there were that might lead to civilian improvements and civilian benefits.

Secretary Patterson: I agree entirely with that. I believe that S. 1717 accomplishes and achieves those objectives by placing it in the hands of the Commission on Atomic Energy with the direction to carry out, or with the authority at any rate to carry out military applications, further military applications, and to have a military liaison committee to participate in that activity. The bill does that.

To Representative May, the main purpose of the bill was to "protect the military secret" while leaving a little room for investigation of "whatever features there were that might lead to civilian improvements." Patterson, in contrast, first characterized the AEC as a civilian agency designed to rescue the wondrous atom from the War Department. But under pressure he stressed that the Commission had the "authority . . . to carry out further military applications" in cooperation with a military liaison committee.

The fact is, the military lobbied for civilian control because it gave them what they wanted—yet it accomplished their goals with more flexibility and even more secrecy than they could have got by working through the War Department (later bowdlerized into the Defense Department). The creation of the AEC put all expenditures for nuclear weapons outside the budget of the Defense Department;

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Pentagon planners really don't have to choose between spending a dollar on a tank and spending it on a nuclear warhead. And Congress tends to be more skeptical and prone to oversight when it comes to military agencies; a civilian bureaucracy could be militaristic more subtly. The pursuit of nuclear weapons could at all times be played off against the promise of nuclear energy.

The symbolism is striking: in one hand, the government held a bomb capable of destroying humanity; in the other, it held out the promise of harnessing the atom for peaceful uses, like a firm but kind father withholding candy from a child until the child behaves. This double-edged atomic policy was a profound breakthrough in the growth of state power, because it brought war-time powers and war-time secrecy to the civilian economy. The effects are still with us today. It is the Department of Energy, for example—not the Department of Defense—that owns the nuclear weapons labs run by the University of California at Livermore and Los Alamos. The DOE, like the AEC and ERDA before it, researches weapons and energy technology under the same roof; this marriage of nuclear energy and nuclear weapons will soon celebrate its 34th anniversary. James Schlesinger is in charge of the festivities.

The post-war era

Between 1946 and 1952, most of the efforts of the AEC were concentrated on weapons applications. Power plants notwithstanding, the bombs kept getting bigger. The Bomb dropped on Hiroshima was the explosive equivalent of 13,000 tons of TNT, the biggest explosion even known to man. But before long, the AEC had devised fission weapons with 40 times the destructive power of this original A-bomb.

But a *hydrogen* bomb—a bomb that releases energy through fusion, just as does the very sun that sustains our planet—had the potential of *millions* of tons of TNT. This kind of bomb was a fearsome thing indeed; many scientists in the weapons program shrank from the thought of developing it. Enrico Fermi and I. I. Sabi, two prominent nuclear physicists in the AEC who opposed going ahead with the H-bomb in 1949, said in a memo that "necessarily such a weapon goes far beyond any military objective and enters the range of very great natural catastrophes. By its very nature it cannot be confined to a military objective but becomes a weapon which in practical effect is almost one of genocide."

But the Soviet Union had ended the U.S. nuclear monopoly by exploding its own A-bomb in 1949. The Soviets' conventional forces, staring out over the tense region of Eastern Europe, were larger than ours. A revolution had swept China, taking a large portion of the world's population out of the Western camp and into the arms of the hated communists.

Truman decided to go ahead with the new bomb. In November of 1952 the U.S. tested "Mike," its first hydrogen fusion bomb, and unleashed an explosion equal to 10-million tons of TNT (10 megatons). Only nine months later, the Soviet Union responded by exploding a hydrogen bomb of its own. While weapons had swelled in size, the era of unqualified U.S. nuclear superiority was over.

And what was the U.S. response to these fearsome new realities? Two proposals were debated. The first, called "Operation Candor" and suggested by the physicist J. Robert Oppenheimer, head of the General Advisory Committee of the AEC, dwelt upon the weakness of the U.S. strategic position now that the Russians had reached nuclear parity. Oppenheimer wanted to let both our allies and our people know that nuclear weapons "cannot do everything" and that therefore the West should seek nuclear disarmament while exploring other means of protecting U.S. interests. Oppenheimer realized that strategic reliance on "massive retaliation" in an era of 10-megaton bombs was an unrealistic method of protecting American power; it was too inflexible and dangerous. But "Operation Candor," aside from being far too pessimistic for any politician to promote as a rallying cry, also seemed to point to a massive buildup in conventional forces and weaponry as an alternative to nuclear weapons—something that few people in a war-weary America wanted. "Candor" was therefore discarded in favor of "Operation Wheaties," which, as the commercial breakfast food name suggests, offered headlong pursuit of the *peaceful* atom as the administration's response to the development of the hydrogen bomb.

As if to punctuate the adoption of this policy, in 1954 a *15 megaton* H-Bomb was exploded at Bikini island. Admiral Lewis Strauss, Chairman of the AEC, said that the explosion's success led to the "enhancement of our military capacity to the point where we should soon be more free to increase our emphasis on the peaceful uses of atomic power—both at home and abroad." Nuclear power: breakfast of champions.

These years directly following the development of the hydrogen bomb are crucial to an understanding of the relationship between nuclear power and weapons. This is the era of claims that nuclear power would be "too cheap to meter," that it would be "inexhaustible" and could propel undeveloped nations into industrial prosperity overnight. Representative Sterling Cole said in 1954 that "most of the evils of the world have their roots in misery, hunger and want . . . the peacetime applications of atomic power can do much to destroy these roots." By 1953, 20 nations were sold on this promise, and rushed to develop their own, independent nuclear research programs. Russia, Britain, Canada, France and Japan pushed ahead, with Switzerland, West Germany and Communist China not too far behind.

President Dwight D. Eisenhower stepped into the burgeoning nuclear arena in December of 1953 and seized the diplomatic initiative with his famous "Atoms for Peace" proposal, given before the United Nations General Assembly. Eisenhower outlined an international commitment to prevent the spread of the military atom (already held by the U.S., the U.S.S.R. and Britain) in favor of rapid world development of nuclear power. Atoms for Peace sought to encourage international research into the "peacetime uses of fissionable materials," called on the great powers to begin to "diminish the potential destructive power" of their nuclear arsenals, and proposed the creation of an international fuel bank for enriched uranium, "to be allocated to serve the peaceful pursuits of mankind." According to Sidney Lens, Eisenhower's memoirs reveal a clear awareness that the drive for nuclear power was "devised to allay public apprehension about the newly developed Hydrogen bomb." The arms race was not ended; it was transfigured. Harold Nieburg dissects the pattern flawlessly in his perceptive book, *Nuclear Secrets and Foreign Policy*:

U.S. policy made the peaceful atom an escape from the unresolved problems of the military atom. Atoms-for-Peace was exaggerated

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and falsified in a vain attempt to avoid the contradictions of a Cold War strategy based on massive retaliation under conditions of mutual deterrence . . . from 1953 on, [the U.S. moved] to weapons of ever increasing magnitude, while at the same time overemphasizing the peaceful atom as if it held a miracle cure for anxiety.

What had been a delicate minuet between the Bomb and the Power Plant became a dizzying whirl, a new era of unbelievably destructive nuclear weaponry hopelessly entangled with promises of prosperity.

Eisenhower's initiative was almost universally praised as a bold and visionary act. "Atoms for Peace" was hailed by Republicans and Democrats alike, and by nearly all the foreign nations outside the Soviet bloc. But it is important to understand the multilayered mixture of energy and foreign policy concerns residing underneath the rhetoric of the peaceful atom.

Unless the U.S. loosened its grip on its nuclear secrets, several foreign countries would develop their own nuclear capacity independently due to the lavish propaganda about nuclear power. The U.S. did not want to see this happen for several reasons. They feared that independent research into nuclear technology would lead to the proliferation of nuclear weapons. They feared that the Soviet Union would eagerly supply other countries with nuclear technical assistance if the U.S. did not. And they saw trade in nuclear technology as a bargaining chip useful in securing U.S. access to nuclear raw materials in other countries.

The U.S. relied on Canada, South Africa, and British and Belgian colonies for much of its raw uranium at the time—countries which were eager to develop their own nuclear power industry. But the rigidity of U.S. security regulations under the Atomic Energy Act of 1946 made the exchange of technological information impossible. As a result, Belgium threatened a cutoff of uranium sales from the Congo, and a resolution in the South African parliament demanded technical information on the peaceful atom. Secretary of State John Foster Dulles, in a statement before the jealously secretive Joint Committee on Atomic Energy, urged the Committee to change the 1946 policy of "total secrecy" and restricted trade. His reasons were given unadorned:

Other countries are making progress in atomic power technology. There is a growing tendency for certain raw materials supplying nations which are not industrially well advanced, to turn to such other countries for nuclear power information because they have been disappointed by our ability to give them significant help. It is clear to me that if this trend continues, the interests of the U.S. will be significantly affected. There is no need here to emphasize how important it is for us to stay ahead of the U.S.S.R. in providing knowledge of how to put atomic energy to peaceful use. We shall get more uranium from abroad when the uranium business becomes more advantageous for supplying nations in terms of their own nuclear power aspirations.

The Atoms for Peace program has to be viewed as an attempt to catch up to and control the spread of nuclear technology across the globe. Just as a government welfare program places the state in a commanding position over the lives and fortunes of the poor, so the U.S. rushed into an international nuclear welfare program to better position itself to control and restrict nuclear technology and thus, nuclear weapons. In 1956, the U.S. announced that 40,000 kilograms of uranium fuel would be available for "sale or lease." Congress appropriated $9-million to pay for half the costs of construction of research reactors in 25 countries, up to a limit of $350,000 per reactor. When several countries complained that they still couldn't afford to build the reactors, the AEC and the Export-Import Bank loaned them money beyond the $350,000 limit. As David Cole's article in this issue notes, foreign nations got help at a time when domestic utilities could not; but the reason for this discrepancy should be clear. What the U.S. got in exchange for its nuclear welfare was *control*: control over operating records to account for the use and disposal of nuclear materials, and access to all data necessary to verify compliance with U.S. reactor standards.

When nations began to bristle at the slight to their national sovereignty implied by such controls, the U.S. turned to Eisenhower's idea of an International Atomic Energy Agency, which would enforce the same kinds of standards without the onus of one nation imposing its will on another. The presence of an international fuel bank supplied with enriched uranium by the major nuclear states was meant to buy off governments that might otherwise build their own uranium enrichment plants. Developing such enrichment capacity would give a nation the ability to produce weapons-grade fissionable material. A fuel bank would also subject the nations receiving fuel to inspections and proliferation standards. But even the international anti-proliferation program, which made sense from the established nuclear states' point of view, was soon destroyed by the competitive dynamic of the Cold War. Both the U.S. and the Soviets bypassed the international agency to give military "secrets" to their allies. Both made bilateral fuel and technological transactions in an effort to lure countries into their political orbit.

Thus the 1954 Atomic Energy Act, while it still confirmed the extent to which nuclear power policy was defined by and subordinate to the spectre of nuclear weapons, set a new style for the use of the atom. Control and classification of information were liberalized in response to international competition. Military secrets were shared with our allies to a greater extent than before. And private companies, sold on the government's promise of a wondrous new energy source, clamored to be allowed to develop the industry, even while Congressional Democrats were itching to see bold initiatives undertaken through the medium of publicly-owned utilities. The atomic energy industry moved from a simple government monopoly to a "complex structure for the regulation of private activities, giving widespread discretionary authority to the [Atomic Energy] Commission to stimulate and aid private development," in the words of Nieburg. To cope with the problem of nuclear weapons, in other words, the U.S. embarked on a grand program of pushing nuclear power.

At this stage, it should be clear that the link between nuclear power and weapons is not the same kind of link that exists between home computers or pocket calculators, and the microprocessors commissioned by the Defense Department. No federal bureaucracy decided that home computers would be a wise and "peaceful" application of defense technology; no Congressional Committees or federal Pocket Calculator Commissions "rationally planned" the development of these innovations. Nuclear power plants, on the other hand, were pursued as a matter of *explicit government policy*. There were no nuclear power entrepreneurs and no "market" for nuclear power plants in 1954. The history of nuclear power, from 1946 on up to the present day, is perhaps the greatest living (or dying?) example of state planning extant; let those who advocate a

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planned economy hereafter wear this albatross around their necks. Further, the inescapable conclusion that nuclear power was pursued as government policy is enriched and expanded by understanding that the government's policy decisions were molded at all times by strong foreign policy concerns. At every step of the way, the planners' choices can only be understood by referring back to nuclear weapons. Let us trace those steps.

Nuclear electricity

The first suggestion that nuclear fission be used to generate electric power was made by the scientists who invented the Bomb themselves. The historical record seems to indicate that these scientists felt guilty about their role in producing the terrifying weapon, and hoped that a more humane use of their work could be found. The idea of harnessing the tremendous energy released by a chain reaction sounded like a great idea at the time, given the circumstances. But a lot of "great ideas" get discarded in a free market, simply because they don't make technical or economic sense. The scientists who looked to power plants as an escape from the Bomb simply had no way of knowing how feasible or competitive their suggestion would turn out to be. Indeed, they didn't seem to care; it was not their department.

The decision to go ahead and develop nuclear power was made bureaucratically, not entrepreneurially. Research and development subsidies, reactor model prototypes, pilot programs contracted out to private industry—all followed conscious and explicit governmental directives. This program culminated in the wholesale export of nuclear technology mandated by the Atomic Energy Act of 1954. And as we have seen, foreign policy concerns—the development of the H-bomb, Cold War competition with the Soviet Union, and the threat of weapons proliferation—were major factors moving the U.S. to its pro-nuclear stance.

Finally, the bureaucratic, non-market, non-entrepreneurial character of the industry was further aided and abetted by the character of the institutions entrenched in power by World War II. Political capitalists like General Electric, Westinghouse and Kerr-McGee, who had developed strong contractual ties with the government during wartime, waited eagerly before the cornucopia of the Federal Research and Development complex. Their "entrepreneurial" decisions had nothing to do with fulfilling consumer demand, but instead were suckled by government policy—policy that they were in the best position to know and to influence. And when it came time to actually install nuclear power reactors, monopoly utilities stood ready and waiting, unhampered by competitive pricing and therefore insulated from the economic irrationality of nuclear power. As late as 1960 government reports were admitting that "no atomic power plant has yet been purchased by any utility organization on a straight commercial basis in competition with the most economically attractive conventional plant of comparable size which could be built at the same location." In short, the corporate state structure of the economy was

UPI

An Ontario nuclear power plant. The Canadian government has been a major organizer of the international uranium cartel.

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ready-made for the kind of top-down, political imposition that nuclear power required.

"Atoms for Peace"—a strategy of bombarding the world with civilian applications of nuclear energy so as to be able to control the spread of nuclear weapons—held sway for nearly twenty years. But in the seventies, the policy had begun to unravel in the face of new international conditions.

The decade began with the ratification of the Non-Proliferation Treaty (NPT) in 1970. One hundred nations pledged that they would forego nuclear weapons development and submit their civilian industry to standards set by an international body. *In return*, non-weapons states were promised international cooperation and assistance in developing their own civilian nuclear industry. Indeed, the doyens of the Atomic Industrial Forum like to present a picture of "disadvantaged" nations clamoring for the tremendous benefits of nuclear power; and if we don't give it to them we risk letting them develop their own nuclear capacity *without* the legal and technical safeguards against proliferation built into our export program. (They say this at the time they are pooh-poohing any suggestion that the spread of nuclear technology leads to weapons proliferation.) The NPT thus counters the threat of independent nuclear weapons development with an *inter*dependent civilian nuclear power trade program. Clearly, this is a mirror image of the "Atoms for Peace" program.

The logic of this central American policy can be laid bare in three short sentences: The U.S. must contain proliferation to maintain its world dominance. To contain proliferation, the U.S. must establish hegemony over the international spread of nuclear technology. To establish this hegemony, the U.S. has to be a leading exporter of civilian nuclear technology, so that it can set conditions that prevent nuclear technology from being used to produce weapons.

American dominance of nuclear exports is being chipped away by foreign competition. South Africa, West Germany, and the Netherlands have developed their own uranium enrichment capacity. (Enrichment is a process in which uranium is processed to increase the percentage of U-235, a fissionable isotope. Power reactor fuel must be enriched to about 3.5 percent U-235, whereas weapons-grade fuel must be enriched to about 90 percent. A country with enrichment facilities can thus produce weapons-grade uranium.) West Germany is exporting an enrichment plant and a reprocessing plant to Brazil, along with eight power reactors. France, Britain, the Soviet Union and Japan are all moving forward with breeder reactors. Pakistan bought a reprocessing plant from France—prompting the U.S. to threaten a cutoff of military and economic aid. This mounting foreign competition threatens the American hegemony crucial to the logic of "Atoms for Peace"—and the Indian nuclear explosion of 1974 seemed to confirm everyone's worst fears about the spread of nuclear weapons. One result of these changes has been a serious split in the ruling elite on the question of nuclear proliferation and nuclear power. The main battleground has been the breeder reactor.

The logic of the nuclear fuel cycle leads inevitably to the breeder reactor—that is, a reactor fueled by a mixture of U-238 and plutonium, which, as the chain reaction goes on, produces more plutonium from its fuel than it burns. The plutonium "bred" by this chain reaction can be used to fuel another power reactor. Such a power source would free Western European nations from the problem of waste disposal (most nuclear wastes consist of U-238, which can be bred into plutonium) and from reliance on imported uranium. But it would also usher in an era of global commerce in plutonium—a highly potent nuclear explosive. The Carter administration and many arms control advocates fear that such a "plutonium economy" would make atomic weaponry more accessible than ever, increasing the possibility of nuclear destruction. Because of this concern, Carter spurned a decade's worth of technocratic planning by fighting against the construction of the first commercial-scale breeder reactor in America, the Clinch River Breeder Reactor (CRBR). Stopping this $2.1-billion government program has earned Carter the enmity of the Atomic Industrial Forum, Westinghouse and the American Petroleum Institute, the AFL-CIO, bureaucrats in the Energy Department, key Congressmen like Frank Church and Olin Teague, and the governments of Great Britain, France, Japan, and West Germany. This is a serious division in the nuclear establishment.

The implications of Carter's policy were made clearer several months later. If the breeder is blocked as an alternative, then uranium supplies and waste disposal are still unsolved problems for nearly all nuclear states. Carter moved to address these problems—and, not coincidentally, he addressed them in a way that would strongly re-establish American hegemony over the international civilian nuclear power industry.

Jimmy Carter's nuclear policy

First, on October 18, 1977 the Carter administration unveiled a plan for the federal government to take over responsibility for the storage and disposal of spent reactor fuel. The *New York Times* reported that "officials hope the new program will aid the President's efforts on behalf of non-proliferation of nuclear weapons by involving the American government in disposal of fuel from foreign reactors." Having taken care of the back end of the nuclear fuel cycle, Carter moved to the "front end" the very next day. Speaking at the International Fuel Cycle Evaluation Conference, October 19, Carter proposed the establishment of an international nuclear fuel bank to provide a "reservoir of fuel" in the event of a "temporary breakdown in the bilateral supply" of enriched uranium for power reactors. This proposal was meant to render unnecessary the efforts of other nations to achieve "energy self-sufficiency" by developing breeder technology. The fuel bank, very similar to that proposed by Dwight Eisenhower in 1953, would use fuel supplies to enforce international controls over the handling of nuclear materials.

The prospect of a "breakdown in the bilateral supply" of uranium is by no means remote. In fact, something very near a breakdown has already occurred. While there are abundant supplies of uranium in the world, this abundance is undercut by state licensing, embargoes and outright cartels. Early in 1977, for example, the Carter administration suspended licenses for the export of enriched uranium, allegedly to crack down on proliferation standards. Carter built support in Congress for fuel embargoes against offending nations. The governments of Canada, South Africa and Australia encouraged the creation of an international cartel that drove up the price of "yellowcake", the uranium oxide that goes to enrichment facilities, from $6 a pound to $41 a pound. Among the increasingly nuclear dependent nations

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of Europe, writes Daniel Yergin in *The New Republic*, "there is a real fear of trading one form of dependence—on oil—for another—imported uranium." Yergin quotes a British diplomat complaining about Carter's no-breeder policy:

> Part of the U.S. non-proliferation argument is that the world doesn't need plutonium—that we can all carry on in a conventional way with uranium. That's a powerful argument, if true. But is it true? Canada has had an embargo for a number of months on exports to Japan and Western Europe. The Australians have been arguing over whether to export or not for the last two years. South Africa—well, South Africa is South Africa. And should we depend on the Soviet Union? How can anyone realistically accept a policy based on the proposition that there is plenty of uranium?

According to Yergin, "Europeans are worried about the U.S., too. If a President can suddenly embargo soybeans to Japan, he could do the same with uranium for Western Europe. So could Congress." Western Europe and Japan are thus pushed toward a course of "energy self-sufficiency" to be attained through breeder reactors. Carter is attempting to counter these pressures with his proposals for waste disposal and an international fuel bank.

The American critics of Carter's policy sound oddly familiar. They ought to; they are the veterans of the nuclear industry, right out of the days of "Atoms for Peace." One such critic is Dr. Gerald F. Tape of the Atomic Industrial Forum, a former Commissioner of the AEC and a U.S. representative of the International Atomic Energy Agency. Says Mr. Tape:

> For the US to be successful in promoting and achieving its non-proliferation objectives, it must be a leading exporter. If no one buys from us, we can be ignored. . . . The ability to deliver reactors and associated equipment, to supply enriched uranium, and to accept spent fuel for storage or reprocessing in an assured or timely way will provide considerable leverage.

In order to get this "leverage," Tape thinks it is absolutely necessary to keep ahead of the competition—and that means developing the breeder. If we kill the plutonium breeder, he says, "U.S. influence as a non-proliferation force will be further destroyed and we will quickly become nuclear isolationists with no influence."

Another AIF critic is Chauncey Starr, who has been around the nuclear industry for at least 20 years. Starr bewails the incompatibility of Carter's approach with the commitment made in the NPT; after pledging to help other nations with civilian nuclear power, says Starr, "Now the U.S. is proposing in effect to reinterpret unilaterally its own commitments under that treaty and to withhold the pledged cooperation on civilian nuclear power, thus stimulating other nations to establish nuclear independence."

It should be clear, though, that both Carter and the pro-breeder forces have the same goal in mind, and differ mostly as to how it should be accomplished. The good, old-fashioned 1950s way to control proliferation is to go full speed ahead, and stay out in front of the pack technologically in order to get "leverage" through our exports. While Carter's proposal seems more sensitive to the changing realities and the dangers of spreading nuclear technology, it, also, is an attempt to get a kind of "leverage" over the international trade in nuclear technology. And it is also a hell of a lot harder to pull off. Who, for example, will set the standards enforced by the fuel bank—and will anybody accept them? According to the *New York Times*, such controls could become "a sensitive political issue. 'We wouldn't be happy with bank standards that served to restrict nuclear development and exports,' a European delegate commented."

The seventies seems to be the decade in which the U.S. has caught itself in a nuclear contradiction. The spread of civilian nuclear technology, so avidly pursued by the U.S. as both a diversion and a "solution" to the looming threat of nuclear weapons, has taken on a life of its own. The U.S. must—by the logic of its own foreign policy commitments—take major initiatives to promote, export, research and develop new ways of dealing with this spreading nuclear technology. The U.S. is caught in a race where it must stay ahead of the nuclear power race in order to control it—yet the more it stays ahead, the more there is to control. One begins to wonder: are we building and exporting nuclear power plants to produce *electrical* power—or *political* power?

Given the preponderance of political considerations shaping the nuclear power industry, the economic and technical problems facing it today should come as no surprise. You do not get a rational, economic industry from bureaucratic edicts, political prestige, or foreign policy considerations, any more than you get the Mona Lisa by throwing cans of paint into the air and waiting for them to come down on canvas. Thus, one of the key starting points of any free market analysis of nuclear power must be its fateful historical link with nuclear weapons. The link, as we have seen, is not just technological, but also bureaucratic and political; the two are organically interrelated.

As libertarians, we should be the first to realize that a domestic energy source built upon the research and technology of a federal nuclear weapons complex is *necessarily* an industry that will be subject to large doses of governmental management and control. As long as there are nuclear weapons and an arms race, the government will have to own, control or oversee key stages of the nuclear fuel cycle. Ownership of uranium resources will inevitably be placed in the hands of the government. Uranium enrichment plants are now and probably always will be owned by the government. The import and export of enriched fuel—and enrichment technology—is now and probably always will be totally controlled by the government. The storage of spent fuel, especially plutonium, will be tightly controlled by the state to guard against weapons diversion. Reprocessing plants, which extract plutonium from spent fuel, will be controlled in the same way and for the same reasons as waste storage. The shipment of plutonium or other nuclear materials for recycling will be closely monitored by the government.

Nuclear power is more than just another subsidized, regulated and privileged industry. It is a technological form grafted arbitrarily onto our society by a war economy run wild. As long as the arms race continues, the atom will be the hostage of the state; we cannot allow opposition to war and nuclear weapons to be bought off by "civilian applications" of the federal death machine. A nation that goes nuclear has linked the heartbeat of its industry to the state, once and for all. We must stop the federal military-industrial-university complex from defining and controlling our energy sources. Stopping the nuclear power industry is the most fundamental way to do this. ❑

LR contributing editor Milton Mueller is executive director of Students for a Libertarian Society.

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PUBLIC UTILITIES: LEGACY OF FEUDALISM

MICHAEL LIPSON

The long term effects of Three Mile Island will not be fully known for at least thirty years. According to *The Progressive*, between 500 and 3000 of the one million people living within twenty-five square miles of the reactor will die prematurely from cancer, after receiving a lethal 10,000 millirem dose of radioactivity, discharged during the accident to protect the reactor from extensive damage. If this is so, who is responsible? The Pennsylvania Public Commission, the Nuclear Regulatory Commission (NRC) and Metropolitan Edison, the two governmental agencies and one public utility which allowed the discharge.

And where were the government voices which are ordinarily so concerned about the danger of cancer? Last June, a manufacturer was ordered to cease production of his product, Sweet n' Low, because an obscure Canadian study insinuated that the substance caused cancer when force-fed to a laboratory rat. At that time, the only thing that stopped the federal government from banning the product completely on the phony pretense of "protecting the public health" was massive protests from consumers. This shows in a nutshell how differently the State treats a politically defenseless entrepreneur and a business which operates "in the public interest."

Both doctrinaire Marxists and doctrinaire conservatives call the public utility "the most capitalistic of all enterprises," though one group means to curse and one to praise. We have been led to believe that the historical development of utilities has been inevitable, that their monopoly is somehow "natural," that the production of "public goods" must be regulated in the "public interest" in order to correct "inherent market defects." In fact, nothing but the most vapid rationalizations underlie the public utility concept; yet these rationalizations, so firmly entrenched in the

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economic views of both the left and the right, have successfully cemented the wealth and power of an important segment of the American ruling elite for over half a century. Utilities cannot be understood in the context of ordinary business regulation; they exist, by their very nature, as appendages of the State apparatus, to be used in the service of its plans, for purposes it alone selects.

Since time immemorial, ruling elites have sought power, wealth, status and hegemony. In pursuit of these objectives they have molded many political institutions, feudal, socialist, and democratic. But one factor has remained constant. State control of large capital investments has been essential for an elite to maintain power. And by systematically siphoning away the earnings of the most enterprising Americans and funneling all of it into state-controlled industries, today's elite can maintain hegemony in much the same way the parasitic landholders did in the Middle Ages—by collecting rent.

Predictably enough, the legal framework of public utility regulations is drawn from feudal traditions. In order to find legal justification for the public utility concept, the U.S. Supreme Court was forced to look at a two-hundred-year-old judgment taken from English common law, which in turn was based on medieval economic concepts.

The concept of the "just" price lay at the heart of medieval economics. Fundamentally, there are only two theories of price, contradictory and mutually exclusive; one is free market; the other, state-controlled. The free market theory, its origins in Stoic philosophy (later grafted onto Roman law), allows buyers and sellers to reach a mutually agreed upon price, called the "natural price."

The "just price," first proposed by St. Augustine, allows a seller to receive only that compensation "customarily sufficient for his economic support," in the words of church authorities. An implicit assumption here is price control: an elite must be created, of necessity, to determine what actually is "sufficient" and to police individual contracts to insure "justice."

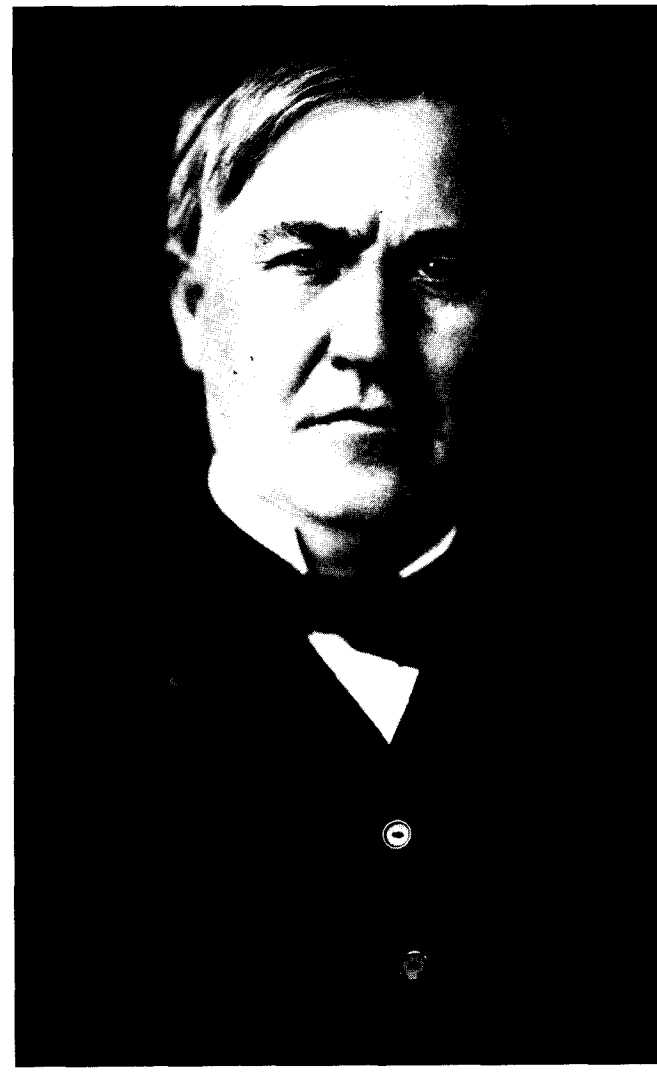
In feudal society, an individual's social position was determined at birth. The entire population was organized hierarchically, from the peasant who subsisted at the most meager level up to the priestly and landholding elites who systematically and continuously looted, through coercive taxation, any surplus produced by the peasants. Ultimately, feudalism maintained the working class at a moribund level. In such a framework, it was status, not contract, that decided the outcome of conflicts and transactions.

To gain status, merchants and craftsmen organized themselves into economic and social organizations called guilds. Each guild regulated the entry, manufacturing processes, output, prices and profits of its members. Membership was carefully limited, and often a guild would gain a local feudal protector. According to utility economist Martin G. Glaeser, "the feudal lord was the center of the manorial economy. His control was exercised in person or through bailiffs sitting as judges in the manor courts. Prices and quality of services were thus controlled. This was the approach, peculiar to the political economy of feudalism, which medieval courts applied to those economic transactions of which our modern utility dealings are the lineal descendants."

During the late Middle Ages, local guild restrictions gave way to the regulations of the mercantilist nation state. *Charters* granted privileged families monopolies for foreign trade, while *letters patent* granted them domestic ones. The enrichment of the state, and thus of the ruling elite, became the paramount objective of national policy. The letters patent and charters, according to Glaeser, "conferred the privilege of performing functions which the state itself, for various reasons, did not care to undertake, but which the mercantilist authorities conceived to be governmental in character." Colbert, the chief minister of Louis XIV, sought actively to transform the local regulations of the hundreds of French towns into a more "modern system of centralized national regulations." Mercantilists sought, in effect, to regulate every aspect of human intercourse.

The end of just prices

The seventeenth century favored the lessening of economic restrictions, not their increase. The British Parliament, for instance, after enduring for years the policy of handing patents to royal favorites for the importation of hundreds of commodities, passed the Statute of Monopolies in 1623, repealing all of them except what we now call a patent—the monopoly of an inventor in his invention. The masses, recognizing free competition as their only means of raising their standard of living, began revolting against "just prices" throughout Europe.



THE BETTMAN ARCHIVE

Thomas Edison, inventor of the electrical power plant.

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By the end of the eighteenth century, the free market had become the rule in every economic sector but one: the public utilities. The idea persisted, even in the almost free market analyses of both Adam Smith and John Stuart Mill, that the government should be responsible for all those businesses affected with the public interest. Companies so classified were exempted from the rigors of the marketplace: they were regulated, instead, by laws requiring them to fulfill the services for which they were chartered and to serve anyone who requested them. The government retained the power to regulate every aspect of their operations, even though the standard by which "proper" regulation was judged was the marketplace itself. In exchange, such businesses received the last remnant of mercantilist status—a monopoly in their field.

Until 1877, the public utility's legal status remained undefined by American courts. Both state and local governments had the authority to grant charters for "public works and common carriers," but political pressures exerted by voters opposed to monopoly privilege forced politicians during the early nineteenth century to grant charters to all who applied. However, the people's faith in the free market was gradually eroded, particularly by government subsidies to railroads. According to Glaeser:

> When the railroad industry was new the companies were encouraged to freely expand throughout the country. They received land grants from federal and state governments, the voters gave them tax exemptions and public funds, and the securities were sold to the towns and persons to which they brought transportation service. . . . Being built ahead of the demand for railroad service and needing earnings, the railroad systems resorted to discriminatory and noncompetitive pricing.

Midwestern movements sprang up in response in the late 1860s and early '70s, investigating and heavily publicizing railroad abuses and urging the federal government to enact price regulation as a "solution."

The Supreme Court's landmark decision in *Munn* v. *Illinois* (1877) marks a radical change from its previous pro-business policy. The 1871 Illinois legislature had passed a regulation requiring owners of grain elevators to obtain a license and charge no more than a maximum rate prescribed by the law. Munn, an elevator operator who had been sued for failing to comply with the law, contested the decision on the grounds that his business was private (that it did not affect the public interest) and therefore he was being deprived of property without due process of law. The court decision attempted to prove that the amount of sites available for grain storage in Chicago was strictly limited and, since they "stood in the very gateway of commerce taking toll from all who pass," they were therefore subject to public utility status. In his decision, Chief Justice Waite cited a British seventeenth century decision: "When therefore, one devotes his property to a use in which the public has an interest, he in effect grants to the public an interest in that use, and must submit to be controlled by the public for the common good."

After *Munn* v. *Illinois*, any business was subject to regulation whenever "monopoly" conditions could be proved in court. By 1930, not only electric generation, but the production of petroleum, natural gas, telephone service and broadcasting has all been "proven" to be affected with a public interest because of "inherent monopoly conditions." It was only five years after Justice Waite's decision that the first electric generating station began operations. In the light of the *Munn* case, electrical energy was doomed to extensive regulation from the start.

Samuel Insull was more than simply the pioneer of the electrical industry; he conceived of and agitated for the monopoly structure under which today's utilities operate. As Thomas Edison's personal secretary he witnessed the opening of the world's first central generating station, on September 4, 1882, in downtown New York City. The station was the personal invention of Edison—he invented every part that went into it, from the giant dynamo down to the fuses and voltage meters.

During its first four years, the station proved to be a commercial flop. Most potential customers then preferred to own their own generators rather than purchase electricity from a central facility. In 1886, however, George Westinghouse patented a device which allowed the transportation of electric current over longer distances than the mile permitted by Edison's system. The economics of central generating improved instantly. By the end of the next year, there were six generating companies operating in New York and competing firms in dozens of other cities.

In spite of this competition, Insull firmly believed the electrical industry to be a "natural" monopoly, arguing that one producer of electricity in a region could supply the product more cheaply than several competing firms. His argument, however, was based on two unexamined assumptions.

First, a public utility had the right of eminent domain, enabling it to "take" not only entire corridors down streets, but even part of a person's back yard if necessary. Since land was "free," a utility had no incentive to find a means of economizing the amount of land used, and Insull conceived of only one way of delivering electricity: a large-scale power plant (the larger the better) with an incredibly expensive distribution system costing over four times the amount spent on the plant. He despised the idea of individually owned generating facilities, whether for homes or factories.

Second, Insull envisioned the utility as a permanent social institution, rather than as a technology which might be superseded by a superior one in a matter of years. Since his facility *could* produce enough electricity for the city of Chicago, he saw no "need" for competition. In the market place, however, it makes no difference whether a single producer *can produce* enough for all consumers. The question is, "Do the consumers want to *buy* the product at the *price* at which the producer sells it?" If the answer is "no," then the producer goes out of business. Insull wanted a monopoly because he wanted his concept of power generation put into service regardless of whether or not it was truly the most economical one.

Some American businessmen were attracted to Insull's conception, particularly some belonging to the elite New York financial clique dominated by J. P. Morgan. But when Insull proposed the establishment of a state public utility commission with the power to grant monopolies, set rates and standards of service, and develop a uniform method of accounting, in 1898, the members of the National Electric Light Association for the most part did not support him.

Utility executives were frightened of state regulation, but even more terrified of municipal utility ownership. The prevailing inflationary conditions at the turn of the century caused by the Free Silver Movement had sent the municipal bond market soaring on a speculative binge. Municipalities were taking advantage of these conditions by floating an

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unprecedented number of issues to finance public works projects *and* public power plants. In 1904, attempting to coerce his business opponents into favoring state regulation, Insull insinuated that municipal ownership would be the inevitable consequence of a failure to enact his proposal. To prove that he wasn't kidding around, he founded the Committee on Municipal Ownership.

Events played into his hands. In June 1907, panic struck the municipal bond market, sending hundreds of municipal power plants into receivership. The National Electric Light Association together with the National Civic Federation staged a massive propaganda campaign blaming the bond market's fall on the lack of state regulation. Soon state regulation of just about everything became a popular issue. In September of that year, the Wisconsin legislature initiated the Wisconsin Railway Commission.

State regulatory commissions had existed before 1907, but they lacked the power to set rates and grant monopolies, being limited instead to an advisory role which relied on public clamor to correct abuses. The Wisconsin commission was unlike any previous one. Up to then, state legislatures had to pass specific legislation in order to set a rate, setting it permanently into law. For businessmen seeking a monopoly, an inflexible rate is useless. What monopoly "capitalists" wanted was the flexibility to manipulate the rates.

The Wisconsin Railway Commission suited their needs perfectly. Its powers were broad and supervisory rather than narrow and specific. Instead of the legislature setting an inflexible rate, it was to set a standard, and commissioners (susceptible to pressure from the regulated companies) would *apply* that standard, setting rates by administrative order.

Scarcely a month after the founding of this railroad commission, Wisconsin's staunch Progressive governor, Robert M. LaFollette, expanded its powers to include electric, gas, and telephone companies. Within a year, both New York and Massachusetts had formed their own commissions, modeled along the same theory as Wisconsin's. By 1920, two-thirds of the states had commissions granting monopolies to electric and telephone companies, and usually to gas and transportation companies as well. Within the short span of 25 years, the "regulated monopoly" had taken the well-travelled path from radical proposal to commonly accepted public policy. And the old mercantalist ideal of a permanent privileged monopoly class, which would retain its wealth long after its capital had lost its productive value, had been re-established.

Enter the federal bureaucracy

From 1920 to the middle of the Depression, when scores of speculatively financed power companies began to fail, the federal government did little regulating of utilities. What brought it into this area was a new method of control which had been developed by three rival business empires (Morgan, Insull and General Electric) following World War I.

Called the "holding company," this method of controlling the financial and managerial policies of local generating companies while actually owning less than ten percent of their stock permitted monopolists to obtain a government-guaranteed profit while taking little risk. These vast financial structures had one weakness, however; being highly leveraged, they were "fair weather" devices. In good times, a typical electric utility earning a government-guaranteed six percent return could be magnified by a holding company into a return of 400 percent. At four percent return, however, the company cannot pay the interest on its borrowed money—the entire structure collapses. It is government-guaranteed profit that causes this abuse—but the collapse of holding companies in the Depression became the rationale for massive federal regulation.

By 1931, Insull's holding company supplied over one-eighth of the nation's electric power. Prior to the 1929 stock market crash, he confined this empire to the midwest; afterwards, he proceeded to buy up scores of bankrupt companies on the East Coast. This was an invasion of the territory of J. P. Morgan, from whom Insull had borrowed heavily during the dizzying speculative frenzy of the late '20s. In retaliation, Morgan engineered a mammoth publicity campaign designed to place Insull's financial dealing under government scrutiny. It worked. The government began a complete investigation of Insull's finances, which were in a shambles; Insull was completely exposed to the Wall Street "wolves"; his spectacular demise was the subject of front page newspaper stories for weeks and left the government with a perfect excuse for new regulations. By 1935, Congress had passed the Securities

THE BETTMAN ARCHIVE

Samuel Insull, creator of the public utility.

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and Exchange Act (SEC), the Glass-Steagall Banking Act, and most far-reaching of all for the utilities, the Public Utility Holding Act.

As usual, the government, seeking legislation under the pretext of "reform," actually brought into existence a regulatory system designed to benefit only the entrenched interests. For instance, Title I of the Public Utility Holding Act invited utility executives "to submit their own plans for reorganization," thus preserving the substance, though not the form, of the existing system. The SEC sought to establish "an economical and integrated public utility system . . . in the public interest." The principle of monopoly was thus bolstered and sanctioned by federal regulation.

Nothing underscores the failure of state planning and monopoly control more definitively than the history of nuclear power. For two decades, the utilities concealed its potentially catastrophic flaws and economic inefficiency. Unfortunately, however, the nuke's present critics fail to understand the inseparable connection between state policy, nuclear power and the monopoly structure of the utility industry, supported by the present federal and state regulatory apparatus.

On October 9, 1945, President Truman directed Congress to "nationalize the atom." The resulting Atomic Energy Commission had power over both military and "civilian" uses: to restrict all information the government had acquired during the wartime Manhattan Project except what it chose to disseminate, to prosecute anyone who divulged government "secrets," and to promote "peaceful" uses of atomic energy.

Not until the early '50s could nuclear power be seriously considered for electricity generation, and only then because of the existence of state regulated monopolies. Slowly, the utilities realized that the economics of nuclear power together with the economics of rate regulation might be a bonanza for them. A utility's "profitability" is directly linked to the size of its assets; the rate it can charge is calculated by multiplying its capital valuation by a rate of return set by the regulatory commission. The utility, therefore, has every incentive to maximize its capital investments, their only limitation being the amount of money banks will lend. Bankers of the '50s, seeking to place as much of their loan portfolio under government guarantee as they could, gladly lent the utilities vast sums to develop nuclear power.

Under these circumstances, nuclear power was the most "attractive" investment possible—capital cost ran ninety percent of total costs; nuclear plant construction required at least a decade before going "onstream" and another thirty years to amortize. Lenders made billions. And the interest costs are still regularly passed onto the public through rate increases. A charge-off called "Construction Work in Progress" (CWIP) additionally gives utilities the privilege of passing along the cost of *non*producing plants during their construction. Studies estimate that CWIP accounts for more than fifteen percent of current utility bills. It is not too much to say that a bloodsucking alliance of utility fiefs and bandit bankers have quietly milked billions from the ratepaying public: the electricity that was first promoted by the feds as being "too cheap to meter" has predictably become too costly to contemplate.

Another major round of federal regulation began in 1962 when the Federal Power Commission was reorganized into the Bureau of Power. "With the view of strengthening its regulation of interstate electric activities," the Commission proposed "dividing the country into regional districts for the interconnection and coordination of facilities for the generation, transmission and sale of electric energy." The bureau later issued a report to promote "extra-high voltage" (EHV) transmission lines, a technology which would, by necessity, enable it to give itself unprecedented new powers under the pretense of "efficiency." This report suggested "that each of the nation's 3,600 power systems can achieve substantial savings by moving from isolated or segmented operations to participation in fully coordinated power networks covering broad areas of the country," ignoring the massive new investment required, as the EHV lines were triple the price of the ones then in use. But obviously, since there has never been a free market in electricity generation, any technology the state wishes to promote will be efficient, if no alternatives are available.

In the years since 1962 federal intervention has escalated, not only in utilities but in the entire energy field. The Department of Energy, created two years ago in the midst of Jimmy Carter's "moral equivalent of war," gathered the previously scattered energy-related agencies into one colossal behemoth in order to be more effective in attempts to "plan a national energy policy."

What's the result of all this planning? As expected, it's the status quo. A recent *Los Angeles Times* article, "Power Source in 2000? Almost the Same as in '79," told the whole story, quoting the vice president of America's foremost utility underwriter as saying, "There will be no real change in technology between now and 2000."

There will be *some* changes, however, according to Gary Simon, chief of the California Energy Commission, who is quoted as saying that Southern California Edison "wants to sell electricity. But they could sell you a solar hot water heater or a conservation improvement. If they installed a solar hot water heater, they could charge you a monthly rate for the privilege of using it." The article calls SCE "innovative" in developing alternative energy sources.

A chart depicting SCE's "power mix" for the year 2000 shows solar and wind and geothermal energy accounting for 7.2 percent of total generation, while today's primary fuels—oil and coal and nuclear power—will account for 89 percent. So much for innovation.

Regardless of the *hundreds* of innovations which will doubtless come along between now and the turn of the century, inventions we do not now know about, we cannot expect to see even one in actual service if state licensed monopolies still exist. The utilities would rather see us reading by candlelight, if the candles were produced in their plants, than see us independent of them. (Actually, building codes in many parts of the United States do not even permit us to rely on candlelight—electrification is *required*.) The utilities—creations of the State, arms of the State, tools of the State—do not supply us with "services," they do not promote "growth," and they are no more "capitalist" than a military contractor. They can under no circumstances be expected to work toward development of efficient, inexpensive, and relatively pollution-free energy technologies. Like the feudal barons they so closely resemble, they can be expected only to work for further perpetuation of their own power, status, hegemony and wealth. ❑

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THE CASE OF THE PROGRESSIVE: STONE-WALLING THE AMERICAN PEOPLE

MARSHALL E. SCHWARTZ

It really isn't very much of a secret at all. In fact, I probably learned most of it back in high school—in those post-Sputnik days when, along with hundreds of thousands of other bright young Americans, I was a devoted student of the theory, practice, and ritual of science and technology.

But isn't that just what author Howard Morland and the editors of *The Progressive* were trying to tell us when they tried to publish "The H-Bomb Secret: How We Got It and Why We're Telling It" earlier this year, and immediately found themselves prohibited from doing so by the actions of the government and Federal District Judge Robert W. Warren of Milwaukee? The theory behind making a decent-sized nuclear weapon is not especially complicated (although designing bombs in the megaton or multi-megaton range requires much complex mathematical computation). And so, *The Progressive* asserts, if a reporter without a strong scientific background can discover this so-called "secret" from unclassified sources in three months, then clearly there is no "secret" involved at all.

If this is true—and all the facts point this way—then why has the United States government (and all other governments which have developed nuclear weapons) erected a labyrinth of bureaucratic entanglement around the nuclear power and weapons industries and then shrouded it in a cloak of mystery and awe? Yes, their purpose *is* to hide a vital secret, but *not* the "secret" they claim to protect. Rather than hiding the key technological clue that would permit other states—or, a more pertinent fear, various terrorist groups—to build their own superbombs, the government is trying to suppress the truth about the danger, lack of security and costs of the nuclear industry, and how that industry owes its very existence to blatant grants of special privilege by the state.

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This message—and not the formula that would permit a Qadaffi, an Amin, the Black Septembrists, or the Baader-Meinhof Gang to develop the means of nuclear blackmail, if not actually to use such a capability—is the one the federal government wanted to keep from the public. But if the technological non-secret were revealed, the political one must surely follow. Thus, the Justice Department, in its legal action against *The Progressive,* did its best to convince Judge Warren that publication of Howard Morland's article could be an irreversible step down the path to nuclear annihilation.

The Wisconsin jurist was more than willing to concur with the government's claims in the first test of the secrecy provisions of the 1954 Atomic Energy Act. He cited old examples such as shouting fire in a crowded theater (which Murray Rothbard has shown is a simple violation of property rights) or publishing information about troop movements and placements during wartime, and declared he had enough evidence that the article could cause "irreparable harm" to restrain its publication. "You can't speak freely when you're dead," he added. And so Morland's article joined the Pentagon Papers as the only articles the government has ever restrained from being published for "national security" reasons.

But whatever the philosophical implications of the judge's last statement, it was irrelevant to the issue: The government's claim that Morland's revelations would in any way increase the threat of nuclear holocaust was just another lie. And only a moderately technical explanation of how an H-bomb functions is needed to show how much a lie it really was.

How an atom bomb works

The core of your basic atom bomb consists of a mass of uranium-235, or plutonium-239, or a combination of these two fissile materials (a *fissile* substance is one that can sustain a fission reaction, without the input of additional energy, once one begins; the atoms of a *fissionable,* but not fissile, substance will continue to split apart only if outside energy is added). When these isotopes are compressed to a critical density (so that atoms are close enough to each other), a fission reaction begins. In rudimentary bombs, such as the one that devastated Hiroshima, special high explosives surrounded the core, and when set off, drove the fissile materials together, to achieve critical density.

When the two "heavy" isotopes of hydrogen are compressed—deuterium (which has one extra neutron) and tritium (which has two extra neutrons in its nucleus)—the fantastic heat (hundreds of millions of degrees Celsius) will cause atoms of heavy hydrogen to fuse, creating helium, releasing high-speed neutrons, and causing a fusion reaction. When deuterium and tritium (bonded to some light element such as lithium) are added to the core, these high-speed neutrons can trigger many more fission reactions in the uranium and plutonium before the core flies apart. This added release of energy can increase a bomb's yield from the tens to the hundreds of kilotons, and is known as the booster principle. By extending this same concept another step, superbombs—of the megaton class—can be built.

If the original fissile material can act as a two-stage trigger for itself (setting off a fusion reaction which in turn triggers more fissions), why can't the whole bomb act as a trigger for an even larger bomb—in effect, creating a chain-reaction of chain-reactions? So, in a superbomb, around a basic "boosted" core are arranged layers of lithium-6 deuteride (a grey powder which can be compressed into a ceramic-like material) and uranium-238. First, the trigger bomb releases low-energy neutrons to split the lithium isotope in the first layer into tritium, and creates enough heat for the tritium and deuterium to fuse. The high-energy neutrons released by fusion start and boost a fission reaction in the next layer, and so on for as many layers as the designer has seen fit to incorporate, up to the tens or hundreds of megatons.*

These principles are also basic to the functioning of any star, including our sun; that's just how the sun gives off the light and heat which permit life to exist on this planet. To create a mini-sun, a superbomb, requires highly precise, complex mathematical calculations for the size and placement of these fission/fusion layers, in order to gain the maximum release of energy in the few billionths of a second between the time fusion temperatures are reached and the matter of the bomb is scattered to all points of the compass at a speed of 30,000 miles per second. Without incredible accuracy, the outer layers will contribute nothing to the explosion. This precision permits the construction of weapons that are perhaps two feet in diameter—three feet for the very large—and weigh a pound-and-a-half per kiloton of yield, compared to the 12-kiloton bomb of Hiroshima, which was ten feet long and weighed 9,000 pounds.

This is the secret which can lead to the destruction of much or even all of the globe by terrorists or mad politicians? In large part, yes; but those mad politicians have had the secret for years—those statists who rule the Soviet Union, the United States, China, Britain, France, and India, and who have displayed their magnificent achievements to the world and bathed us all in the glow of their fallout.

To be sure, there are more gadgets and refinements involved in the bombs the U.S. and the U.S.S.R. have poised in missile silos, in nuclear submarines, and in long-range bombers. But these additions aren't all that secret, either: When Howard Morland was visiting a St. Petersburg, Florida, plant which produces neutron generators (always helpful to boost a reaction), along with high-energy explosives, an official told him that the neutron generator used in nuclear weapons and made at that plant was "a high-voltage vacuum tube containing small amounts of deuterium and tritium," and added that a Colorado Springs firm made an "unclassified" version of the device for use in the oil industry.

Morland discovered this "secret" without using any classified material. And the government's clampdown on publication of his article quickly led him to discover the deeper secret: "I quickly concluded," he wrote in *Newsweek,* "that the Big Secret was a political ploy of extraordinary longevity. The illusion of secrecy has been used for 30 years to shield nuclear-weapons production and deployment from public scrutiny and to prevent ordinary citizens from understanding fundamental facts about a public issue. The article I wrote states that conclusion and illustrates the point by telling the secret."

Morland's conclusion is the only one that makes sense.

*Here, uranium-238 (which is only fissionable), rather than uranium-235 (which is fissile), can be used, because the high-energy neutrons released by fusion will sustain the reaction.

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The state's claim of the power to suppress even an idea born in one man's mind, if that idea has been "classified" as secret, is Orwellian enough without considering the key fact that the "secret" is really public to anyone with a moderate background in physics and math and the perseverance to search through enough scientific texts, treatises, and journals. A volunteer researcher, assisting the American Civil Liberties Union with *The Progressive*'s appeal of Judge Warren's decision, has uncovered even stronger evidence of how openly available is such information. Dmitri Rotow found a 29-page document that had been declassified in error—"Weapon Development During June 1956," describing work done by the University of California's Livermore Radiation Laboratory—in the Los Alamos, New Mexico, Scientific Library. According to a report by United Press, the document gave detailed results from nuclear weapons tests for a month, and included numerous details of bomb construction. "There is even a description in here of how to fill the empty spaces of the bomb cannister with foam," Rotow said.

The state-created myth of some arcane nuclear secret which we must keep from anyone who doesn't already have it or risk a world-wide holocaust is just a new trick in the government's bag of ruses to mask the eternal bloating of its bureaucracy and the issuance of major grants of state favor. It has kept the public from examining what lies behind the state's sleight-of-hand tricks with both nuclear power and nuclear weapons. The first atomic bombs were developed, tested, and used under the secrecy imposed because of war. *No* aspect of the nuclear weapons question has ever been examined completely because the *only* source for much of the basic information is the government itself. As long as we believed that our very lives depended on keeping the "H-bomb secret" hidden, no one could properly debate questions of health hazards, hijacking possibilities, danger of accident, and actual cost (including all hidden subsidies), because the data was provided by the group with the greatest vested interest in the growth of nuclear adventures (in both power and weapons).

Nuclear power: the undebated issues

The issue of cost may be hardest to resolve. Subsidies, monopolies, and tax advantages granted to the nuclear power industry have made it *seem* that government propaganda about nuclear energy being a "cheap" source of power was true; as outlined in the May LR ("Nuclear Power: A Foreword on Three Mile Island," by Jeff Riggenbach), we are beginning to discover just how much *doesn't* show up on our monthly electric bill but is paid through taxes and inflation. Without state subsidy, publicity, and duplicity, nuclear power would not be economically feasible. As for nuclear weapons, any attempt to make fiscal sense out of our expenditures on this product for the past three-and-a-half decades will run headlong into Pentagon secrecy and cost figures—like all defense-related expenses—that are more padding than substance.

But potential health risks will eventually reach public attention—even after a quarter of a century—if the dangers reach fruition. Three Mile Island and numerous other incidents that received less shrieking publicity have made the initial impact on the American consciousness. Add to this the $10.5-million in damages granted in late May to the estate of the late Karen Silkwood, a laboratory technician who was contaminated by radiation, before her 1974 death in an automobile accident, while working for this country's largest miner and processor of uranium, Kerr-McGee. The Silkwood case carries sinister overtones because Silkwood had campaigned against lax safety and security procedures at Kerr-McGee, and because her fatal accident may not have been so accidental, according to some charges (she was on her way to meet a *New York Times* reporter when she died).

But it's not only the nuclear worker whose life and health has been damaged by government callousness, unsafe "safety" standards and "permissible radiation levels" that existed more for the sake of the AEC's and the NRC's public images than for the sake of the public safety. Senator Edward M. Kennedy has been using one of the most flagrant examples as high-quality political fertilizer in recent months.

This case stems from the United States' above-ground testing program in Nevada between 1951 and 1962. Down-wind from the site of 86 atmospheric tests, in southern Utah, the residents have noticed that their rate of death from cancer is alarmingly high (at least twice what they should expect) decades after the AEC told them there was no danger from the mushrooms that rose over the Nevada Proving Ground. "The record will show that for over 20 years, the Federal government placed the citizens of Utah at risk without their knowledge and without taking proper precautions," Kennedy declares. (We will not belabor the point that there are *no* "proper precautions" effective enough to counterbalance being *forced* to take a risk you don't want to take.)

According to documents recently pried loose from the AEC, President Dwight Eisenhower himself told the commission to keep the public "confused about fission and fusion." In the same vein, Commissioner Walter Libby declared in 1955 that "people have got to live with the facts of life, and part of the facts of life are fallout." One Utah town, St. George, was inundated by 6,000 millirems of radiation from one 1953 test alone. Compare this figure with the acceptable safety standard of that day, 3,900 millirems over a *thirteen-week* period; or with today's allowable maximum of 500 millirems a *year;* or with the 1200 millirems released at Three Mile Island, which led to the evacuation of women and children.

The only advice offered the citizens of St. George was to "stay indoors." Thus, it is not surprising that resident Elbert Pickett has had ten relatives die of cancer in the past decade.

Growing public awareness has begun to undermine the artificial superstructure which supports the nuclear power industry—a cartel whose competition is squashed by the state, whose legal liabilities are severely limited by the state, and whose safety criteria are established and enforced by its supporters within the state bureaucracy. Enough information is available to indicate many deceptions and dangers. But the shield of silence around the nuclear weapons complex is stronger; assaults like that of Morland have created only the first chinks in the glowing armor. Continued, incessant probing is needed before we can answer a plethora of vital questions, such as:

How do our underground nuclear tests relate to weapons development? What is the connection between test and bomb? If the link isn't strong enough, then tests cannot be justified by any form of logic.

Just how secure are our supplies of bombs and weapons-

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grade uranium and plutonium from hijacking by terrorists or, less likely, agents of antagonistic states? We realize that *most* of the "missing" nuclear fuel that the government grudgingly concedes is gone has found its way to Israel. But where is the rest? The building of a large bomb requires the most advanced technology available today, but a small bomb (perhaps two or three times the yield of the Hiroshima weapon) requires considerably less sophistication. FBI Director William H. Webster underscored this danger when, in early April, he told reporters that it is now possible to build a nuclear bomb small enough to strap on a person's back based on information available in public libraries. The most important safeguard against such an eventuality, he added, was control of nuclear fuel. Webster was discussing terrorist capabilities when he made his remarks.

How many bombs, and of what size, would be needed to wipe out a given target? Until experts not on a government payroll have the data to produce independent estimates of yield, radiation, and destructive power, no one can offer a tactical alternative to the Defense Department's deployment in terms of either location, size, or number. If Pentagon policy decisions on nuclear armament at all resemble its actions in other areas, the United States undoubtedly has spent much more than it should have for many more nuclear weapons than it needs installed in places that have limited usefulness. An argument for weapons that are more reliable, accurate, or powerful will not support a claim for just *more* weapons.

The right to know

As Albert Einstein said in 1957, "There is no secret and there is no defense." There is nothing to be gained by keeping most information about nuclear weapons secret from the American public. *Progressive* Managing Editor Sam Day, writing for the Pacific News Service, said that his magazine had "set out to demonstrate that principle by showing that atomic secrets are not secret at all, and that the secrecy laws tend only to thwart the public's sole defense against the ultimate weapons, 'aroused understanding' "—that phrase also borrowed from Einstein.

Debunking the state's assertion that publishing the H-bomb article could only further nuclear proliferation, Day declared that "we intend to show that our secrecy laws do not prevent proliferation; they only serve to lull the public into believing that proliferation can be prevented and to discourage the public from gaining an 'aroused understanding' of nuclear weapons. In the meantime, little or nothing is being done by the government to stop proliferation or to resolve the dangers of manufacturing and storing these weapons."

It's not surprising, but still philosophically painful, to see Day take facts that strongly support the libertarian view and somehow produce the cup of hemlock so deeply adored by liberal philosophers: a clarion call for more and more wide-ranging intervention and regulation by the state—the source of the whole mess in the first place. Asking the Atomic Energy Commission or Nuclear Regulatory Commission or even some other branch of government to act as protector for all citizens is comparable to asking Vlad the Impaler to be protector for all children in Romania.

As far back as 1950 the AEC prevented publication of parts of articles that it felt must remain "secret." Gerald Piel, publisher of *Scientific American*, has written in *The New York Times* that his magazine acceded to "ritual cuts" in an article in the April 1950 issue, and therefore published a "mutilated" piece. He emphasized that the key to building a bomb is not the scientific and engineering theories—which are, despite the government's protestations, quite public—but rather a solid industrial and scientific base, and concluded: "If a hydrogen bomb turns up in the hands of Idi Amin or some terrorist gang, it will not be from a recipe published in a magazine. Very likely, it will be one of our own bombs, deployed within their reach by a blundering decision made in secret." ❑

Marshall E. Schwartz is a contributing editor of LR.

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'MISS CLAGTHORPE, PLEASE DIRECT THIS GROUP OF STUDENTS TO WEAPONS, NUCLEAR (HYDROGEN), TRIGGER MECHANISMS, TOP SECRET, DECLASSIFIED.'

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THE PROSPECT OF SOLAR POWER: CALIFORNIA'S ENERGY CZAR SPEAKS OUT

AN LR INTERVIEW

With lines forming at gas stations coast to coast, the price per gallon hovering (temporarily?) at around a dollar, and every day's paper bringing fresh news of government and industry slip-ups, foul-ups and cover-ups in the management of nuclear power, it's obvious that energy is shaping up as a top issue for the 1980 presidential campaign. Yet to date, only one major candidate for either of the major party nominations has adopted an energy policy which calls for anything besides business as usual. That single exception is the politically enigmatic (some would say chameleonic) Governor of California, Edmund G. Brown, Jr.

Within hours of the near meltdown at Three Mile Island this past Spring, Jerry Brown became the first big establishment politician to jump on the anti-nuclear bandwagon, demanding that the power plant at Rancho Seco in California (a near twin of the Babcock and Wilcox reactor which had been crippled in Pennsylvania) be shut down immediately, and flying to Washington a few weeks later to share star billing with Tom Hayden, Jane Fonda and Ralph Nader at a mammoth anti-nuke rally. He was back in Washington again, a month later, explaining to President Carter why California needed increased allotments of gasoline (because it had grown a few energy sizes larger since the federal system of allotting fuel had been devised). And the following month he was explaining to the national media why the President's newly announced commitment to the development of solar power was "too little too late"—for all that it *was* on the right track, the only track which would ever lead us permanently away from our present dependence on fossil fuels.

The man behind Jerry Brown's stylish, new, up-to-the-minute energy rhetoric is his special Assistant for Issues and Planning, Wilson Clark—a former journalist and

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libertarian political activist of the '60s who has come in off the street, donned a coat and tie, and tried his hand at influencing government a little more directly. Clark became interested in libertarianism in the early '60s through Ludwig von Mises's famous seminars in economics at New York University. He became friendly with Murray Rothbard and Karl Hess and with certain of the writers and intellectuals in the circle surrounding Ayn Rand. He pursued a political science degree at the University of North Carolina, then drifted into journalism. In 1969 he found himself editing a technical newsletter called *Energy Conversion Digest* and publishing articles about new technology developments like photovoltaic cells—thin slivers of chemically treated silicon or cadmium which can convert the sun's radiation directly into electrical current. Clark began to wonder why an idea like this wasn't being used outside the aerospace industry. It obviously worked: panels of such cells provided all the electric power for all the U.S.'s many manned space capsules, satellites and stations. Why wasn't this technology being promoted, rather than nuclear power?

Clark began reading more widely about energy, and, inevitably, he began writing about what he discovered. In 1971 he published one of the first public articles on what has since come to be known as the China Syndrome. In 1974 he published *Energy for Survival: The Alternative to Extinction,* an impressive, encyclopedic introduction to the entire field. In 1976 he went to work for Jerry Brown.

To find out what sort of home a libertarian with a fondness for solar power might make for himself in the Brown administration, and what sort of solar future such an energy czar might have in mind for the rest of us, LR sent executive editor Jeff Riggenbach to Sacramento in June for some candid conversation with Wilson Clark. Clark's office is two crowded rooms in a tree-shaded two story Spanish building across a busy Sacramento street from the Governor's office. The walls are lined with books and files and plastered with posters, bumperstickers and cartoons extolling the virtues of "sun power." We decided to begin our conversation by coming directly to the point.

LR: Is solar energy the technology that is most likely to provide us with a satisfactory long-range solution to the energy crisis?

Clark: It may be. It seems to be. In many areas of this country, which enjoy a pretty moderate climate, solar energy could supply basic heating needs and, in the future, cooling needs. And about a third of all the energy we use is used for such purposes. To heat a house, you don't need electricity.

LR: Some advocates of solar power argue that the electricity you *do* need in your home could be generated within your home, so that there'd be no further need for central generating plants and networks of power lines connecting them to houses and businesses. They envision a

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"There are people today who make outrageous claims about solar energy which are very similar to the claims made by nuclear proponents in the '50s."

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future in which every building is equipped with solar collectors on its roof to supply the power for heating and cooling and cooking food, and panels of photovoltaic cells on its roof to supply the electrical current to run hairdryers and stereo systems. Is this kind of thing really feasible?

Clark: It may happen. But one of the lessons I try to encourage politicians to understand is that you can write many laws and come up with many theories, but you cannot change the laws of thermodynamics. Now the problem with solar is that it takes a lot of energy to build collectors, and it takes a lot of energy to make a silicon cell. Some studies show that with current methods of manufacturing, the energy required to go into this equipment may take 30 to 40 years to amortize, to get back out again with the sun. And if the cell lasted only 15 years, you'd be in a hell of a mess. Your society would be putting more energy into building the new technology than it was getting out. The net energy principle is very important to keep in mind. It's vital.

The ideal future, the ideal kind of social and political development would be toward just the kind of decentralization you describe. But we don't know, we being the technologists and planners, we don't know if it's going to be technologically possible. There are many unanswered questions. Can you bring the cost down? Can you develop the new technologies that can do that? You could install the solar energy system you've described today. Forget the energy cost of a couple of hundred thousand dollars. You could do your house today for that amount, and spend another $50,000 on batteries, and then every five years replace the batteries. You could do it, but it'd be stupid. It would never go anywhere except as a novelty. The costs have to be brought down.

There are some people in society today who make outrageous claims about solar energy which are very similar to the claims made by the nuclear proponents in 1955. That's when they said that with nuclear reactors, electricity would be too cheap to meter. Now we know that it's the most expensive form of energy that anybody will ever pay for. Well, the same thing could happen with solar. No one knows. No one can answer your question. Anyone who would answer you, "sure, in 20 years we're going to have this thing on the roof," is either a liar or a knave to attempt to give you an answer like that, because no one knows. What we should be doing as a society is putting a great deal of funding into a hundred different research areas. Maybe 97 of them won't pan out, but the three that do will enable us to move into the future. These new energy systems should be run by the private sector. But the problem now is that the private sector is not investing anywhere *near* the amount of money required in research to get enough options on the table.

LR: Why is that?

Clark: I don't know. But I saw an interview a couple of years ago in *Business Week* that may cast some light on that. The interviewee was an official of the Shell Oil Company, and he was asked why their commitment to research and development expenditures had been dropping as a percentage of their profit, and he said, "Well, we're a mature company." And he was asked, "What do you mean by that?" And he said, "Well, we're a petroleum company, and we've done about everything we can in this area. We've matured. So we're just not spending any more money." There's no real interest. The traditional energy corporations have become giant monopolistic institutions which have been basically stripped of their creativity. "We're a mature company. We don't have to invest in alternatives." That's the same as saying, "Well, I'm about to die, why should I do anything?"

Then there's the inordinate amount of time and money the government has spent beefing up and building up the non-renewable fuels as industries. There have been several rather detailed studies done for the Department of Energy by the Battelle Laboratories—studies of non-renewable sources of energy like coal, oil, natural gas, and uranium. They have found that between $200-billion and $250-billion have been expended in direct and indirect federal subsidies on these energy sources, probably more than that. That's $1000 for every man, woman and child in this country. That's $3000, $4000, $5000 per family already spent before that family even begins paying its energy bills. The most logical thing to do about this part of the problem would be for the government just to back out of the energy subsidizing business completely and let everything else—including solar power—rise. But practically, I think one would have to moderate that. On the one hand I do not want to see the government involved in developing new energy sources, because I don't think the government can manage them any better than it's managed the nuclear industry. If the federal government ran all the gas stations it'd be worse even than the post office. On the other hand I see the reluctance of the private sector—partly induced by decades of government subsidies—to invest in development of alternative energy technologies. And I wonder: are we going to have enough energy of any kind to run the civilization on?

LR: Won't the market insure a steady supply of energy? Once we've exhausted the easily obtainable, cheaply obtainable reserves of oil and gas, won't the price go up so that it becomes economical to think in terms of extracting oil from shale and investing in alternative sources of energy?

Clark: That's true. The logic of your argument is indisputable. The problem is it's a game of Russian Roulette. The time when you need to make investments in new energy sources is when there is still abundant energy from the old source—enough to take care of your ordinary energy needs *and* provide the energy to develop the new source of energy. If you wait too long, you come to a point where it would take all the energy in the system just to keep it running until it literally falls apart. Thirty years ago, an oil well was maybe a thousand feet deep. Today, that same new well is 20,000 feet deep. Now we have more advanced technology, certainly: better drill bits and all kinds of other devices that can be used to go deeper after more oil. But it takes a lot more energy to pump a resource from 20,000 feet than it does from 1,000 feet. We used to just punch a hole in the ground and natural pressure would put the oil into the air. Now we have to suck it out of the ground, and the cost keeps getting higher and higher.

LR: What do you think the role of government should be? What do you think of tax credits, which make it possible for people to save on their taxes if they want to put their investment capital into solar energy?

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Clark: That's exactly the kind of thing I would do. The most important thing this state government has done, in fact, is establish a tax credit in solar, because in doing it we've stimulated an industry. We now have 40 percent of the solar manufacturing in the United States in California—10 percent of the population and 40 percent of the industry. And I think we'll get more here. We're going to have the biggest international industry here.

Another of the things that we've discussed here is Jerry Brown's proposal for the state of an excess profits tax. However, any energy conservation or production-related activities of oil companies would be exempted from that tax. Let's look at that for a moment. This means that if companies are interested in diversifying into supermarkets or casinos or hot dog chains or Frisbee manufacturers, then they'd be taxed and that tax would go into future energy production or conservation-related activities. But if those companies chose to diversify more of their funding into alternative sources of energy or increased production from conventional sources or conservation, they wouldn't be taxed. There's no reason why a law cannot be used—this is not a law yet, it's proposed legislation—but if such legislation could be enacted it would channel more of the resources of the free market, of the private sector, into legitimate new-energy activities. This would be far preferable to having the government run things.

We've also had a design competition. That's one of the cheapest things a government can do—have a competition. Here's a little pot of money that you can use to reward innovation and get more people and especially builders thinking about alternatives in energy. It's a time-honored practice. And it works. You get a lot of creativity and innovation and ideas at very minimal cost. For the cost of pruning three or four bureaucrats for a year, you get good competition and a lot of good ideas.

Another thing that we're pushing for in the state of California and I think is a sensible policy, is called the Renewable Energy Investment Fund. This would be a source of funding money that would be raised by the state in excess of $500-million in the next five years. It could be used as a source of venture capital pooling, so that the state could co-venture with small businesses, or large businesses, or even entities such as communities for new innovative energy projects involving better use of natural resources. We must as a nation find novel ways of forcing very uncreative businesses into a more creative posture. Of course, this is an attitude that is anathema to theological libertarians who don't understand that business can be just as boring as government.

LR: Do you still think of yourself as a libertarian?

Clark: Oh absolutely. But I'm not a theological libertarian. I mean, the reason I work for Jerry Brown is because he has come closer to a reasonable energy policy for the nation than any other political figure I've ever met. I do not

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"My major commitment in the Brown administration is to eliminate unnecessary government programs. We're going to have to learn to live with a lot less government."

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particularly enjoy government, and I will not spend my life in government. But it's been an interesting assignment. I don't know that I will be here two more years or two more months—that's irrelevant. What is important is that if you're going to be dealing in modern society to any degree, you can't ignore the fact that government exists. I do not necessarily believe that government can be made better. I do think that one of the things we can do is eliminate unnecessary government programs, and that's my major commitment here. If you look at the energy policies of the Democrats and Republicans alike, most of them are centralist, statist energy policies. They make the presumption that the flow of power is pyramidal, that the people at the top are the wisest and they can rule things for everybody else. When Jerry hired me, we discussed libertarianism and my attitude about government. I told him I'd never worked for a government entity before, and I was not particularly excited about this one. But I became convinced, as a result of meeting and speaking with him, that he was very sincerely advocating what I would consider to be probably not a libertarian approach so much as a Jeffersonian approach. He's a Jeffersonian as opposed to a Hamiltonian. He's on the right track.

And there has been a whole group of people who are very free market oriented, people who are, I would say, virtually free market anarchists and libertarians, who have found a comfortable philosophical home with Jerry Brown, a number of very iconoclastic people. We don't *like* government, but we're realists. We live in a real world. Government exists. And rather than ignore it, we would like in some way to deflect it. We don't want to wake up in an Orwellian world where 99 percent of our life is controlled by the government. And what we have done here in the past two or three years is to develop energy policies for this state government which have not resulted in vast new bureaucracies but have resulted in incentive systems for alternative energy sources, for more localized decision making. We have cracked a lot of codes and laws and regulations that were set up in the '60s by people like Ronald Reagan, who is as big a statist as anyone who ever existed. He mortgaged a lot of the future with policies that were rhetorically right wing but in fact very statist. A lot of the things we've done have reversed that. But I want to make it absolutely clear that I am not justifying, nor would I want to justify a substantial portion of the efforts of any government, state or local or federal. In fact I think we can't. We're going to have to learn to live with a lot less government. We're going to have to learn that human creativity and innovation occurs only through individual efforts, and that therefore somehow we have to take these institutions that have become gigantic creations of ineptitude, and start breaking them down into more creative, smaller units.

The problem is not in reaching an ideal future—we can all be idealists—the problem is in getting from here to there. What kind of transition is going to build that kind of energy policy, that kind of future? And I don't think that sitting back in the ivory tower dreaming—whether you're a Marxist, or a liberal or a libertarian—is going to get us there. Very few people are involved in building the future except the centralists. The statists are very much involved. The bureaucrats are involved because they'd like to get a pension at the end of 50 years for doing nothing but moving pencils around a desk, and the same is true of the bureaucrats of a lot of major corporations.

LR: How about energy conservation? How does it fit into your vision of how the future could be?

Clark: It's a key component. The energy crisis is basically a physical resource problem. We have used the richest energy resources already, and the ones we have left, the fossil fuels and uranium, are more and more scattered and diffuse. It takes more and more energy to go after them, look for them, process them, mine them, use them. One answer to this problem is obviously conservation. And one of the best kinds of conservation is the passive use of solar energy. For example, in my home I don't have an air conditioner. I live in Sacramento. I get hot some days of the year, but I don't like air conditioners. However, I have done things to my house, such as putting awnings on all the south facing windows and adding extra insulation in the roof, and I've added a screened porch to the back of the house, so I can open it up and get a natural breeze coming through, and reduced the summer temperature in my home by 15 degrees. It cost me $140.00. I would have spent that much money on two months' bills for air conditioning. In California we could probably save 25 percent of our electricity just by having commercial buildings and stores and people's homes use more insulation and awnings. For an investment of a few hundred dollars per home, you could save 25 percent of the projected needs of new power plants. And that amounts to a lot of power plants. We're talking about 20 nuclear power plants, for example. It's a lot cheaper way, also, for the homeowner or businessman to get cooling.

Another energy-saving method of cooling off is trees. Trees are the most efficient solar collectors in the state of California, because our peak needs are for cooling energy, not for heat energy. And so anything you can do to get more natural cooling, more use of solar energy, makes sense. Deciduous trees are very sensible because they shed their leaves in the winter when you need more solar heat. It's a perfect answer to plant trees. It's an architectural use of solar energy. If you redesign houses and have much more logical procedures of building housing, to minimize the energy needs; that is, if you build in such a way as to harmonize with the environment according to the natural flow of solar energy and wind energy which is a byproduct of solar in that environment, that's one enormously important way of saving energy at almost no cost.

Our work cycles can also be adapted better to sunlight. Millions of people around the world take a siesta. Their office hours are reversed, so people don't have to work in the heat of the day. That way, you adjust your hours to the sun cycle. You use solar energy in a lifestyle sense. When it's really hot, you don't work. You work when it's cool. You work earlier in the mornings and later in the evenings, and everybody takes off in the middle of the day. That's one way of relating to solar energy that also happens to save an enormous amount of energy. Sometimes as much as half your entire utility system is designed for a peak period of energy use, and if you can convince people, or people make a decision, to avoid using energy during that particular peak hour of the day, you don't need half your entire system. Why should you invest all the resources and technology in building half of a giant, integrated system if you really don't need it except for one hour a day?

Passive solar and techniques of living with the flow of nature cost almost no money. They also create negligible pollution of any kind, because basically you're adapting

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yourself to a much less energy-intensive lifestyle. You have tremendous savings of pollution.

LR: Do you experience comparable pollution savings with active solar power—the collectors and panels on rooftops we were talking about earlier?

Clark: Not really. In fact, in the ultimate decentralized system, in which every home was a castle and had its own array of energy equipment, you might generate as much pollution as we have today from a more centralized system. It takes a lot of energy and releases a lot of pollutants into the ecosystem to make all the metal, do all the anodizing, make all the glass to equip a house to make full active use of solar power. If you try to put everything on every house, you're going to wind up with a lot of material transfer in your resource technological system. You'd get less pollution from a hybrid system where you had some centralized solar generation on a community scale or even larger, and some decentralized use of solar power as well. You'd still have some pollution because of the manufacture of the equipment, but you could minimize it because you weren't trying to replicate all that copper and metal in every single home.

If you want the least possible pollution, you go with the natural flow of solar energy. With current technology, you can build a house that uses only eight percent of the energy used in conventional housing today. It doesn't cost much more to build. It doesn't even look too different. It certainly doesn't require any real modifications of lifestyle. And it's a lot cheaper to operate. But by the turn of the next century we're going to be living with 85 percent of the housing stock we have today. That's why you need a lot of programs to teach people how to reduce cooling loads and heating loads and how to use more directed heating.

The way things are now, we do not live like other animals in the natural system. We're not, in a certain sense, dependent, the way they are, on today's sunlight for our lives. In this office right now, we're running off sunlight that hit the earth a billion years ago. We mine our energy. Other animals are much more conservative. Every other kind of animal is very finely attuned and adapted to its environment and the energy flow of that environment. Everything is living off the natural system, everything conserves energy—all kinds of plants and animals, but us. It's a very important point. If we're going to get out of that, if we're going to make the social leap in our evolution from being miners of energy to being creatures that live within an organized daily flow of solar energy, it means some pretty big decisions. It's going to mean some pretty big changes in the pattern and organization of life. And it'll mean personal change. It very well may mean a more cooperative type of lifestyle. It's an enormous social transition, and we might have to scramble to make the jump. Right now, no one is really making the kind of massive commitment we need to windpower or solar energy or any of the things that run off the natural world. ❑

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"Between $200-billion and $250-billion have been expended in federal subsidies on non-renewable energy sources—$1000 for every man, woman and child in this country."

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OIL AND AMERICAN FOREIGN POLICY

LEONARD P. LIGGIO

Two major areas are being overlooked in the current discussion of our energy crisis; not surprisingly, both of them have to do with history. The first is an insistence on the part of our military establishment which dates back as far as 1911 that oil production must be controlled to ensure conservation for military purposes. The mechanism that was worked out over the years was one in which the federal government delegated a great deal of regulatory power to the states; federal agencies were brought into the picture relatively late in the name of "national security," to fill in with "emergency" powers some of the gaps that developed in state regulation.

The second historical trend that is often ignored is the interaction between oil companies and the U.S. government in the field of foreign policy. The companies were able to use the State Department as a negotiator and sometimes as a threat in their attempts to gain oil concessions abroad. Later, when these oil concessions had been obtained, a large part of our foreign policy was aimed at protecting and fostering them—as is a large part of our defense posture today.

In the following discussion of these policies, it may be instructive to keep in mind that many of our most active State Department officials have been men with some ties to oil companies; often they have been lawyers with oil companies as clients. Charles Evans Hughes, the Secretary of State who was instrumental in gaining oil concessions from England in the 1920s, had been Standard Oil's counsel. Nelson Rockefeller, appointed to coordinate Inter-American Affairs in the State Department in 1940, was of course a major Standard Oil stockholder since he was the son of John D. Rockefeller, Jr. And John Foster Dulles, Secretary of State under Eisenhower, had also been a Rockefeller lawyer, while Dean Acheson, who preceded him, had worked for the Morgan

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banking interests which had large holdings in both American and British oil companies.

Although some independent domestic producers have from time to time tried to get on the government-regulation bandwagon, it is primarily the large international oil companies, the so-called Seven Sisters—Royal Dutch-Shell, British Petroleum, Standard Oil of New York (Mobil), Standard Oil of New Jersey (Exxon), Standard Oil of California (Chevron), Texaco, and the French government's company, P.C.F.—whose partnership with government power has brought us to our present oil policy, also known as the Energy Crisis.

In the late nineteenth century, even John D. Rockefeller didn't realize how important the ownership of oil resources was going to be. He was able to control much of world oil refining, transport and marketing through his Standard Oil Company without ever bothering to own an oil field. During those early years, oil was dirt cheap and there seemed always to be someone to find more wells from whom he could buy.

At the turn of the century, however, the control over oil fields became a hotly contested political issue. European countries moved further and further from the classical liberal ideals of international peace and free trade among nations, and began reasserting older statist, mercantilist values, the values of military might, empire, and imperialism. Nationalism became a paramount concern, and competition for colonies among European nations increased international tensions. America, too, turned in the direction of foreign expansion, looking toward Asia and a mythical "China market." Alongside these growing concerns with military might came the growth of oil-powered navies and the need to secure access to oil as a means of fueling expansionist thrusts. The British government took a financial interest in large oil-exploration companies, with the German, Dutch and French governments not far behind. In America, "conservation" became a code word for military and naval interest in oil. At the insistence of two successive Secretaries of the Navy, federal lands in California were taken off the market and made into naval oil reserves in 1911 and the Teapot Dome and South Alaska fields were similarly treated in 1913.

Foreign policy and oil began to be associated—an association which has continued to the present day. A State Department official wrote in 1945 that the diplomatic history of the United States for the 35 years following 1910 "will show that petroleum has historically played a larger part in the external relations of the United States than any other commodity."

World War I

A disagreement over oil concessions was one of the contributing factors in the outbreak of World War I, which was ignited in the heat of clashing imperial ambitions. Britain wanted the entire oil reserves of the Persian Gulf to remain within its sphere of influence, and objected to the fact that the German government—a latecomer to imperial expansion—was using the German Deutsche Bank (which financed the Berlin to Bagdad Railway) to demand a quarter share of an oil consortium being formed to explore for oil in Iraq.

During World War I, the issue of oil was a central one for the Allies. Britain and France signed an agreement in May 1916, agreeing to partition the Turkish Empire (in the event of an Allied victory) into a northern sphere of influence for France and a southern sphere of influence for Britain, with Palestine to be international territory controlled by the interests of the three religions to whom it was a homeland—Judaism, Christianity, and Islam. A year later, the British issued the Balfour Declaration, offering a homeland for Jews in Palestine to match the large Christian and Islamic homelands already there.

With the coming of Allied victory, Britain sought the lion's share of the loot in the Middle East. It supported its own candidate for the throne of Syria (supposedly in France's sphere of influence) and then persuaded France to give up its control of northern Iraq in exchange for what had been the Deutsche Bank's quarter share of the Iraqi oil exploration company. Finally, Britain decided not to live up to the Balfour Declaration but to take control of Palestine, in order to control the area around the Suez Canal and to keep Standard Oil of New York out of the area.

Add to this conflict of interests the fact that American and British firms were also involving their governments in attempts to control the Caspian oil fields in the new Soviet Union, and it is not surprising that a major United States-England war scare ensued. It was fanned by the activities of the British-government-controlled Royal Dutch-Shell Company in Mexico, Venezuela, and the East Indies. In order to resolve the international tension, the British were forced to make concessions in Venezuela and to listen to the request of the U.S. State Department that Iraq be opened to American exploration.

In 1928 a conference was called by Royal Dutch-Shell in Scotland at Achnacarry to which British Petroleum and Standard Oil of New Jersey both sent their heads: a conference which ended in the signing of the so-called Red Line Agreement. Not only was a quarter share in the Iraqi oil exploration company given jointly to Standard Oil of New York and Standard Oil of New Jersey, but all the companies involved agreed to the status quo in their markets; that is, agreed there would be no competition. "Overproduction," with resulting lower prices was also to be controlled, by cutting off surplus production and limiting the number of new refineries.

Meanwhile, the United States Navy had been succeeding in a campaign to establish government control and regulation of the American oil industry. A huge step in this direction occurred during World War I, when President Wilson established the United States Fuel Administration and appointed a Herbert Hoover protege to head its Oil Division, a man who was an advocate of price stabilization for the industry by means of industry cooperation against competition, and of a strong government input. What trusts, pools, and other price-fixing gimmicks had not been able to achieve in the industry in a free market—someone could always profit by breaking such agreements—the wartime cooperation for defense and "conservation" achieved. Competition was eliminated, and government-industry consultation to achieve price stabilization was introduced.

After the war these policies were continued, and in addition, Navy spokesmen and public figures like Secretary of Commerce Herbert Hoover urged that American companies establish overseas oil resources. This led in turn to further desire for price stabilization, and Hoover pushed for federal action to get cooperation from the oil industry.

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The Naval Conservation Board was established in 1924, to be followed by a successor Federal Oil Conservation Board, both tying together conservation and naval oil interests in "price stability," that is, restricted competition. At Hoover's suggestion, The American Petroleum Institute (an outgrowth of the industry-government cooperation during World War I) drafted a model statute for state legislation, limiting production of oil through conservation of oil resources which were to be regulated by state conservation boards, and urged federal legislation in 1927 to encourage conservation.

After Hoover became President, his Secretary of the Interior recommended that the oil producing states form a compact to coordinate their restriction of production. In Texas and Oklahoma there was what amounted to a free market insurrection against this state regulation, because of the Depression. Rugged individualists refused to stop pumping oil, in defiance of state restrictions on production which were intended to keep the price up. Martial law was declared in both states, and the National Guards were called out to stop the oil from flowing—4000 militia were sent into East Texas under the command of the chief general counsel of Texaco, also a General in the Texas National Guard, Jacob Walters.

When the matter was taken to court, judges trained in the common law struck down the state restrictions. The Chief Justice of the Oklahoma Supreme Court ruled: "In my opinion, prorationing of oil was born of monopoly, sired by arbitrary power, and its progeny is the deformed child whose playmates are graft, theft, bribery, and corruption."

When Franklin D. Roosevelt took office in 1933 he was faced with the flouting of these regulations by the free marketeers of East Texas who had begun flooding the country with so-called "Hot Oil"—that is, oil which was in excess of the allowable production set for wells and fields.

The United States Supreme Court began to look with favor on state restrictions on the production of oil. Federal regulation seemed to be the answer. A section was inserted into the National Industrial Recovery Act by Senator Tom Connally which outlawed the interstate transport of hot oil, and federal agents swarmed into East Texas and Oklahoma to enforce it. The National Industrial Recovery Board directed the Bureau of Mines to estimate alloted production by states in order to command the best possible price for oil. Shortly thereafter, the Interstate Oil Compact Act created the Interstate Oil Compact Commission—Congress delegated regulation of oil production to the states. Oil producing states joined the Compact Commission and accepted its rules.

Oil and New Deal foreign policy

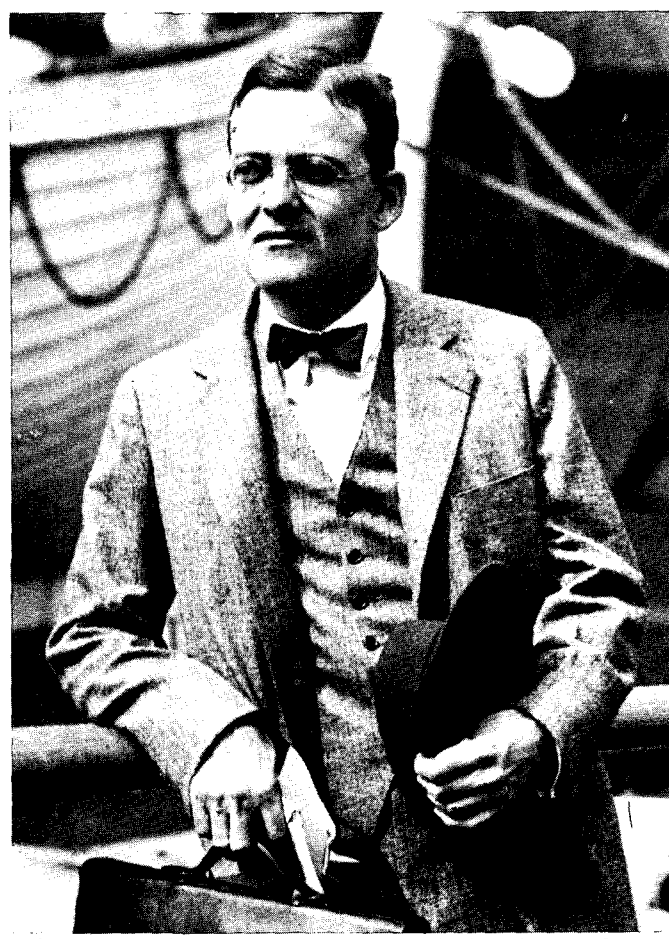
Cordell Hull, Roosevelt's Secretary of State who made the foreign policy that led the United States into World War II, later presented an economic interpretation of the origins of World War II. He said that the Depression made countries without colonies—and thus without access to raw materials and markets—increase the price competition in order to gain new markets. He gave the examples of Germany and Japan. So we can deduce that to the State Department, the price cutting and competition of these countries were taken as a *causus belli*.

American competition with Germany and Japan for foreign oil was strong in Latin America. In 1938, President Roosevelt decided that Mexico could be a model for a new concept of partnership between Latin American economies and the United States. New Deal politicians were afraid of coalescing Latin American nationalism and of German-Japanese competition to Anglo-American economic dominance in Latin American countries. Both these concerns came to a head when the Mexican government decreed that German and Japanese buyers could market Mexican oil.

A special investigatory mission was sent to Mexico by Roosevelt, a mission headed by John D. Rockefeller, Jr.'s son, Nelson Rockefeller. He proposed a new American policy for Latin America, to include 1) aid for establishing basic industries, 2) aid to develop infrastructure, such as roads and harbors, 3) purchase of agricultural surpluses, 4) technical assistance programs, including FBI missions to train secret service agencies, and military missions to train paramilitary forces, and 5) loans to finance the sale of arms.

Meanwhile, German military victories in the European War in the spring of 1940 were causing concern in Washington. Roosevelt's chief confidante, Harry Hopkins, said in May, 1940, "Suppose that Germany wins the war in the next two months and does on the economic fronts what they have done on the military fronts. What will they do in South America, presuming they win, and then, what are we going to do about it?"

What America did about German victory was to appoint Nelson Rockefeller as coordinator of inter-American affairs in the State Department. Vice President Henry Wallace was sent to Mexico to initiate the new program for Latin Amer-



THE BETTMAN ARCHIVE

John Foster Dulles, Standard Oil lawyer who later became Secretary of State.

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ica, implemented by the Export-Import Bank as well as Rockefeller's Office of Inter-American Affairs.

Concurrently, the Rockefeller Foundation established its principal agrarian research center in Mexico, and the Rockefeller-owned Basic Development Corporation developed industries in Venezuela, accompanying favorable government programs in those countries. With the support of American business and labor, credits were extended to Latin American countries by the United States government to aid development by easing the purchase of American goods. Adolph Berle supported the Export-Import Bank as the vehicle for this aid as well as a vehicle for "stabilizing"—i.e., limiting competition in—commodity markets by the purchase and storage of Latin American commodity surpluses.

In a 1940 address to business editors, President Roosevelt declared: "That is a new approach that I am talking about to these South American things. Give them a share." The program was also defended by Frank Knox, publisher of the *Chicago Daily News* and later to be made bi-partisan Secretary of the Navy, in these words: "Care must be taken . . . to put the emphasis on participation by American firms in South American enterprise as partners with South American interest in the business rather than giving it the appearance of exploitation by our people."

Nelson Rockefeller's letter of congratulation to Roosevelt on his re-election in 1940 said: "Today as never before the opportunity exists to make permanent the cultural and commercial ties between the American Republics which you have done so much to strengthen during the past few years."

Lloyd Gardner has noted about this Latin American program:

> It was especially appealing to many New Deal Keynesians, who were looking ahead to the post-war era. If the continuing expansion of exports to Latin America could be thus sustained, an expanding economy at home could be assured. Keynesians repudiated Adam Smith all right, especially [competitive theory] . . . but, as Gunnar Myrdal suggests, they often sought ways to bring up to date his ideas on international trade. Lord Keynes himself was doing it within the British imperial system.

World War II

From the beginning of the war, the most significant economic dispute between England and the United States on the one hand, and between them both and the Soviet Union on the other, was over oil. The principal area of conflict was the Middle East. A very close relationship was established between the State Department and the Aramco Company, the American-Arabian oil company formed for Saudi Arabia by some of the American Seven Sisters. This relationship was at one time explained by Admiral Leahy, Roosevelt's confidential adviser, as necessary "so that we, particularly our navy, would have access to some of King Ibn Saud's oil." The Aramco Company arranged for Saudi Arabia to receive Lend-Lease aid from the United States government to counterbalance the fact that the British refused to recognize Saudi Arabia as an American sphere of influence. In addition, a major Lend-Lease administration was established for the Middle East in Cairo.

The importance of these activities for the Navy was summed up in a letter from Secretary of the Navy James Forrestal to the Secretary of State in December, 1944, in which he wrote,

> "The prestige and hence the influence of the United States is in part related to the wealth of the government and its nations in terms of oil resources, foreign as well as domestic. It is assumed, therefore, that the bargaining power of the United States in international conferences involving vital materials like oil and such problems as aviation, shipping, island bases, and international security agreements relating to the disposition of armed forces and facilities, will depend in some degree upon the retention by the United States of such oil resources."

Another economic issue which was of major concern to United States policy makers was Britain's Sterling bloc, which had become less and less dependent on trade with America. Price-fixing abroad had been legalized for U.S. firms by the passage of the Webb-Pomerene Act of 1918. By the time of the Depression, American companies had entered into hundreds of agreements to fix prices and divide markets abroad. Although the domestic policy of the New Deal to deal with the Depression was one of economic self-sufficiency, the State Department's concurrent foreign policy was not to allow equal autarky to other countries. Once the outbreak of war had eliminated German and Japanese competition, the State Department turned its attention to attempting to destroy the Sterling bloc. The British pound was being subsidized by the fact that all of the countries that had signed the Red Line Agreement had agreed to pay for Iraqi oil in Sterling.

A first major step in the attack on the Sterling bloc was the Lend-Lease Act, by which American goods sold abroad were paid for in dollars. The effort was furthered by the International Monetary Fund, and by post-war loans—but a continuing aspect of the struggle was related to petroleum: the conflict over payments in Sterling or payments in dollars for oil. The program of economic assistance for Saudi Arabia which was jointly created by the Secretaries of State, War and Navy at the end of the war was a program designed to make Saudi Arabia "independent" of all foreign countries except the United States.

During World War II, the United States government had promoted the production of oil by aiding in major continental pipeline construction, by building plants and refining facilities for oil companies, and by subsidizing oil tanker construction—a major shift from the earlier policy of price stabilization through *curtailing* production. In the process, the government had increased its involvement with the industry. As one major commentator said:

> World War II firmly crystallized government's role as arbiter of the American economy, and proved that such a relationship was both practical and efficient. . . . On the basis of the consensus fashioned during the New Deal, government and business leaders further developed a complicated network of administrative relationships to facilitate their cooperation in the solution of common problems. These included the maintenance of economic stability in the petroleum industry and the conservation of oil. By 1945 the responsibilities of state and federal governments in regulating a wide array of industry practices to achieve these ends was rarely questioned. . . . Slowly, in the course of a generation the once new relationships had won wide acceptance. And in 1945 there was little reason to believe that they would be seriously disrupted in the postwar decades.

At the end of the war, the Oil and Gas Division of the Interior Department was created to coordinate federal policies for the oil industry, continue wartime administration policies, and serve as the three-way link between federal government, state regulatory agencies, and major oil

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companies. The Division forecast the expected need for oil in the coming month; the state regulatory agencies then used this forecast to establish the rate by which oil production was to be strangled; and the accompanying National Petroleum Council of the chief executives of the major companies (also an Interior Department creation) in turn advised the Oil and Gas Division about long range planning for the industry. As one observer commented, "the Truman administration, therefore, did not inaugurate centralized federal control over oil production. Rather, it continued policies of loose coordination, as inaugurated in earlier years by the Federal Oil Conservation Board in the 1920s and the Petroleum Administrative Board in the 1930s."

The National Petroleum Council submitted a report which urged a national oil policy to implement the government's desire to conserve oil for military reserve purposes and the industry's desire to stabilize prices through limiting and controlling production. "The existing network of relationships between them," commented the same observer, "succeeded in the attainment of their common goals."

Thus, the report urged retention of the depletion allowance and scientific aid by the United States Geological Survey and the United States Bureau of Mines. The council strongly favored state conservation laws, implemented by the Connally Hot Oil Act. And they strongly urged U.S. diplomatic support for American oil companies in foreign lands . . . the federal government was to encourage conservation. Since the states controlled most of the details concerning regulation of conservation practices, the prime effort of the national government in this sphere would be through enforcement of the Connally Act to supplement state regulatory efforts.

In the half dozen years after World War II, leaders in government and industry worked out a consensus governing oil policies which implemented programs that were first crystallized by the New Deal. The U.S. government was also facing the problem of gaining a larger share of foreign oil output.

At the end of World War I, the Western Hemisphere had been the center of world oil production. During World War II, the Middle East became the center, and England controlled four-fifths of the Middle East output, with only 16 percent controlled by the United States. By 1953, British ouput in the Middle East had fallen to 31 percent while the United States' share had jumped to 60 percent.

How did the United States do it? Especially when the American public was not only disinterested in foreign policy, but had elected a Republican Congress with a strongly isolationist leadership?

In 1946, President Truman created a committee of internationally oriented bankers and businessmen, headed by Winthrop Aldrich (brother-in-law of John D. Rockefeller, Jr. and president of Chase National Bank), to coordinate public and private funds for government-set goals. One of the primary goals was a large share of world oil production—and in order to gain it, a major new thrust in American foreign policy had to be developed, a thrust which has been described by one observer as "the use of the state to sustain American power in the world, ultimately for economic and necessarily related strategic ends."

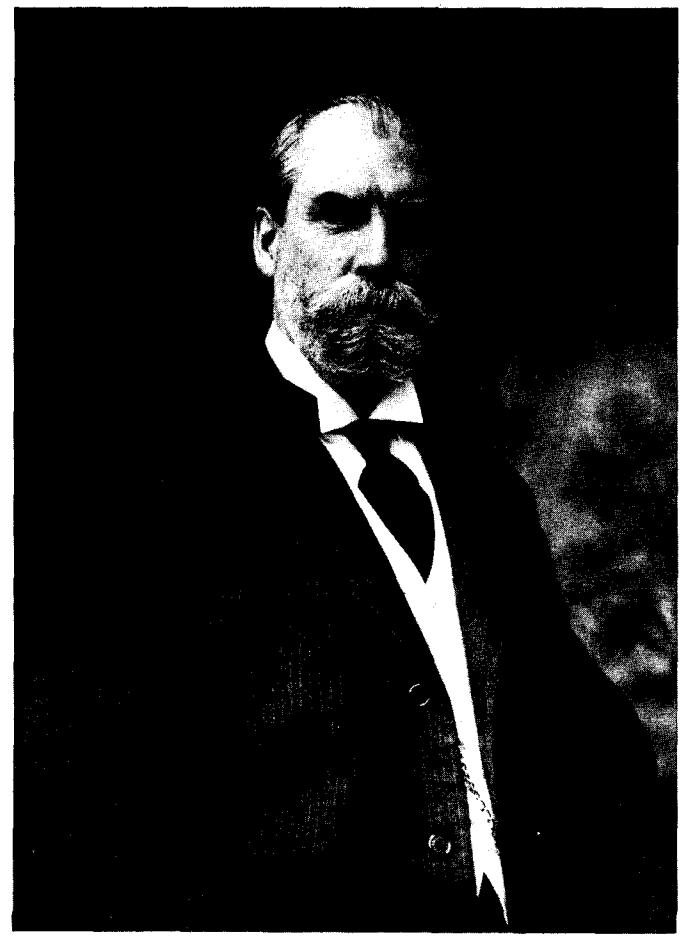
The new policy was effectuated by the Truman Doctrine of March, 1947, and by Secretary of State Marshall's Plan of June, 1947 (the Marshall Plan was the original conception, and the Truman Doctrine provided the psychological push to get it through Congress). *Time* magazine noted of the debate over the Truman Doctrine (which was strongly opposed by isolationists) that it did not seem to be coincidental that Standard Oil of New Jersey had just denounced the Red Line Agreement of 1928 and American oil companies were in the process of repudiating it. "The loud talk was all of Greece and Turkey," *Time* reported, ". . . but the whispers behind the talk were of the ocean of oil to the south."

In the House of Representatives, a key isolationist leader, George Bender, lashed out at the Truman program:

I believe that the White House program is a reaffirmation of the nineteenth century belief in power politics. It is a refinement of the policy first adopted after the Treaty of Versailles in 1919 destined to encircle Russia and establish a "Cordon Sanitaire" around the Soviet Union. It is a program which points to a new policy of interventionism in Europe as a corollary to our Monroe Doctrine in South America.

Let there be no mistake about the far-reaching implications of this plan. . . . Mr. Truman urged the Congress to authorize a program of military collaboration with all the petty and not so petty dictators of South America. Mr. Truman submitted a draft bill which would authorize the U.S. to take over the arming of South America on a scale far beyond that involved in the $400,000,000 handout to Greece and Turkey. Mr. Truman continued his campaign for universal peacetime military training in the U.S. . . . military control at home is a part of the emerging Truman program.

The Truman administration is using all its propaganda resources in an attempt to soften up the American people to accept this idea. Yes, the Truman administration is busy in its attempt to sell the



THE BETTMAN ARCHIVE

Charles Evans Hughes, Standard Oil lawyer who later became Secretary of State.

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idea of military control to the people of America. And hand in hand with the propaganda campaign go secret meetings for industrial mobilization. This is the kind of thing which is taking place behind barred doors in the Pentagon Building, about which the people of the United States learn only by accident. This is a part of the emerging Truman program.

Despite this warning, and the opposition of other isolationist Congressional leaders, including Howard Buffett in the House and Senators Robert A. Taft of Ohio and Kenneth Wherry of Nebraska, the Marshall Plan was given Congressional approval. The Marshall Plan has been described as the "economics of conservatism." It aimed to use the money of the American taxpayer, the middle class, not only to subsidize the exports of the wartime inflated, government-financed industrial capacity, but to engage in long range shaping and restructuring of the European economy. Arthur Ekirch in *The Decline of American Liberalism* has described some effects of these economic programs:

> Nationalism in the guise of internationalism was most attractive to the postwar group of business, political and military leaders whom C. Wright Mills dubbed "the sophisticated conservatives." . . . the foreign aid program, with its stimulation to American industry, became the "spinal nerve" of the sophisticated conservatives' postwar plans for the expansion of American export markets. . . . Admirably suited to the conservatives' purposes were the solid ties forged among industry, armed forces, and State Department—ties that were constantly being strengthened under the duress of the cold war—the policy of a permanent war economy. Aided by the widespread propaganda in behalf of a bipartisan foreign policy, these new-type conservatives were able to assume a dominant position in both major political parties.
>
> Such vast military expenditures naturally gave the armed forces increasing influence within the government. . . . The practical results of the new integration of American foreign and military policy was the continued acceptance of the doctrine of peace through strength. The first step in this direction had been the wartime Allied insistence on the unconditional surrender of the Axis powers and the military occupation of their territory. . . . The military's lifelong identification with the use of force and contempt for the workings of diplomacy was viewed in the long run as likely to lead the United States into war. Even if such a contingency were avoided, there was the danger that the almost exclusive reliance on armed power in the conduct of American foreign relations would go far to stifle the workings of democracy at home.

Wherry's investigation

The Republican leader of the Senate in the 80th Congress was Kenneth Wherry of Nebraska, an isolationist who has been singled out by some libertarian scholars as a model compared to whom even Senator Taft pales. He undertook a major investigation of the oil cartel system in America.

Never known as an opponent of business that was operating competitively, Wherry singled out the myths of conservation and energy crisis as the causes of the destruction of free enterprise in oil production. The assumptions and consequences of the role of the public agencies in the cartel system were examined by the Wherry Committee, especially that of the Texas Railroad Commission, which acted as the bellwether of the Interstate Oil Compact Commission and of the Bureau of Mines, which issued a monthly statement estimating market demand, to be used as the basis for allocating production to the states. One analyst later described this process:

> Production in excess of the prorationing orders violates state laws and is subject to confiscation, just as interstate shipment of such "hot oil" violates the Interstate Transportation of Petroleum Products Act (Connally Act). This law has been administered by the Federal Petroleum Board in Interior's Oil and Gas Office, and since 1958 in Geological Survey. It puts a federal power behind the state agreements and serves as a weapon against the frantic and often secretive trade of determined producers frustrated by low allowables. The oil industry thus neatly avoids the twin horrors of competition and antitrust action. It obtains from the government services that support its private price fixing and that would be unlawful if provided by the API or another trade association. In a speech to petroleum men in 1954, Assistant Secretary for Mineral Resorces Felix E. Wormser depicted with pride the success of this operation:
>
> "I asked the Bureau of Mines to give me a total figure covering all of the forecasts made monthly from July 1935, when it started, through July 1954, and the actual crude oil production reported for the same period. I was astonished to find that the total amounted to approximately 32 billion barrels and the difference between the forecast and actual production has been less than one percent."

Wherry demanded the suspending of the Connally Hot Oil Act because of its use to create scarcity and maintain price levels. Truman rejected this demand. Wherry was horrified by the blending of public power and privilege for the oil industry, and especially by the role of federal agencies in creating the planning while state governments then carried out the dirty deeds. The Wherry Committee charged, "There is a mechanism controlling the production of crude oil to market demand (or below) that operates as smoothly and effectively as the finest watch."

Wherry also published a previously supressed report—"The International Petroleum Cartel"—which demonstrated the role of American conservation programs in world oil cartelization, as well as the role of the American Petroleum Institute in pushing conservation in order to gain controls which could be used to benefit the large producers.

Who benefitted from the Marshall Plan and its foreign aid? More than one tenth of the United States' economic aid to Europe between 1948 and 1952 was spent on petroleum products, and this does not count the building of refineries under the Marshall Plan.

Standard Oil of New York and Jersey Standard built major refineries in England through the Marshall Plan system. This subsidy undercut independent American refineries in European markets. Also under the Marshall Plan, the government purchased Middle East oil from U.S. companies which cost them fifty cents a barrel to produce, at the Texas Gulf price of $2.65. Walter Levy, who transferred from Standard of New York to head the Marshall Plan's oil division (which set the price for Marshall Plan oil purchases) said,

> Without the Marshall Plan, the American oil business in Europe would already have been shot to pieces. . . . Without [Marshall Plan] aid, Europe would not have been able to afford during the last year, and could not afford during the next three years, to import large quantities of American oil—from either domestic or foreign sources controlled by American companies. . . . [The Marshall Plan] does not believe that Europe should save dollars or earn foreign exchange by driving American oil from the European market.

Isolationists had already publicly charged that Aramco oil delivered to Haifa in Palestine was charged on the basis of

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Texas Gulf prices plus tankerage from Houston to Haifa, doubling the price of oil before it was shipped from Haifa to European ports. The difference in price was being made up by the American taxpayer. Marshall Plan officials also prevented European countries and oil firms from expanding refinery capacity and output of crude oil.

Meanwhile, American corporate interests were on both sides of a growing Sterling oil–dollar oil controversy during 1949 and 1950. The Morgan interests were lending money to Shell and British Petroleum and getting Dean Acheson to authorize England to loan Marshall Plan funds to countries buying Sterling oil. The resulting cheaper prices created economic inroads into Jersey–Socony interests which were called by a Texas senator "an act of hostility to our economy."

In January of 1950 the Vice President of Jersey Standard warned Congressmen that "unless some means are developed which will prevent the British government from marketing the so-called 'surplus oil' of British and British–Dutch oil companies [read British Petroleum and Royal Dutch-Shell], the foreign business of American oil companies might well be liquidated in a relatively short period of time. The effects of such an unfortunate result upon the United States national security . . . are obvious."

None too soon, the Korean War came and absorbed the world surplus, which ended the conflict. But even before the Korean War, Congress was becoming resistant to Truman's foreign aid programs. A new system to succeed the Marshall Plan in providing dollars to European and other countries so that they could pay for U.S. products—Point Four Programs—was passed by only a single vote. State Department officials began a series of cross-country speeches stressing the role of foreign aid in national security, and Truman made a "non-political" tour to attack isolationist Congressmen.

Congressional resistance to the Administration was so strong that Congress even refused to let Secretary of State Dean Acheson report on his trip to Europe to a joint session when he requested it at the end of May 1950. However, the advent of the Korean War the next month solved the Administration's problems, enabling it to attack and smear the isolationists—Taft, Herbert Hoover, Wherry, Joseph Kennedy, and Colonel McCormick's *Chicago Tribune*—as Communist agents.

National security and oil conservation

During the post war period, both industry and government claimed that "national security" required their continued close cooperation. The Department of the Interior had its Military Petroleum Advisory Committee, the American Petroleum Institute its Defense Services Committee, the National Petroleum Council its Committee on National Emergency. All of these bodies stressed the importance of oil conservation.

The National Petroleum Council produced a major report on *National Oil Policy for the United States* for the Interior Department in 1949. It emphasized the importance of oil policy to national security, suggesting the conservation of the domestic oil supply for defense purposes and the importation of foreign oil while discovering but not using new American reserves:

The normal operations of the oil industry, under which oil is produced at optimum rates [!], provide the United States and other countries with a continuing reserve of potential productive capacity. In the event of a protracted national emergency, during which essential petroleum requirements might increase rapidly, this reserve productive capacity could be drawn upon to satisfy peak demands. . . .

It is clearly in the interests of national security that peacetime conditions which encourage the development of available reserves by private industry should be promoted. An active program of exploration by the industry is essential. . . . Procedures for government-industry consultation should be maintained on a permanent basis so that plans to meet emergencies can be adjusted continually to changing conditions. . . .

The operation of the American petroleum industry is grounded on state regulation of oil and gas production in the interest of conservation. State regulation under our constitutional system evolved as the legal and most effective answer to the problem of a widely dispersed natural resouce. State authorities have proved effective in their protection of the public welfare, and the decentralized approach has been highly successful in meeting the wide variety of conditions that prevail in different areas.

When oil-conservation problems have arisen involving coordination among states, instrumentalities have been developed to deal with them effectively, such as the Interstate Oil Compact.

The Defense Production Act of 1950 led to the creation of the Petroleum Administration for Defense, which exempted firms that it viewed as aiding the federal government from both antitrust laws and FTC rulings and also provided special financial assistance for the development of oil production facilities. The agency declared,

We can never forget that once we have passed the immediate

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Nelson Rockefeller, major Standard Oil stockholder and World War II era State Department official.

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problem of supply for the military and essential civilian needs we have come squarely againt the longer-range problem: How can we assure that in case of all-out war there will be enough oil and gas to fuel the Free World's defenses? Since oil, unlike other materials, can't possibly be stockpiled in sufficient quantities above the ground, all that we can provide by way of an emergency reserve is a reserve of potential capacity. There has to be oil, known, proved and at least partially developed, underground beyond present production to serve as a reservoir for tapping in case of need.

In June 1952, Truman's President's Material Policy Commission (headed by CBS chairman William S. Paley) issued a report on the possibility of a national security threat if Western Europe's supplies of oil from the Middle East were cut and Europe had to rely on the United States. At that time, huge exports of Soviet oil to Western Europe did not exist.

During the past twenty years, a whole range of government actions dealing with oil has been taken on the basis of National Security Acts or of national security clauses in other acts, all of which give the president vast emergency powers to interfere with the economy. Who actually exercises these powers? Russell Brown, spokesman for the Independent Petroleum Association of America, said that, under both Truman and Eisenhower, federal agencies were bein dominated by Standard Oil of New Jersey. He declared,

Too often when we find a government agent fostering destructive proposals we see the shadow of these companies at his elbow. We have watched with concern the ease with which officials of our State Department, the Department of Commerce and other agencies are interchangeable with officials of the importing company. . . . When an employee of that company, placed in a responsible federal position, continues from this high perch to reflect the view of his former employer, it is time to raise the question of the soundness of his position.

A similar view was expressed by the English observer J. E. Hartshorn in the early 1960s:

To the foreign observer, who is frequently lectured by American oil companies operating overseas about their utter and immutable opposition to anything approaching state control or the protection of indigenous fuels against low-cost imports, it is somewhat paradoxical to find that in the United States these companies, and a host of smaller, even more rambunctiously "free enterprisers" in the domestic oil business there, get on very comfortably thank you with state agencies telling them how much crude oil they can produce, how much they can buy and who from, and of late, federal agencies telling them how much crude and products they can import. . . . [R]ecognize from the beginning that the privately-owned oil industry, in its own home, is subject to a very large degree of government influence.

The Marshall Plan had financed a refinery-building program in Europe for the internationals. Independents were excluded from Iran and the Middle East. These facts struck the American independent producers as attacks on them. But rather than speak out boldly against controls, too often the spokesmen for the independent domestic oil producers have tried merely to equalize their effect. For example, since domestic producers were forced to restrict production in the name of national security, they saw no reason not to generalize this statism to impose (again, for reasons of national security) restrictions on the importing of oil by international companies.

The chairman of Jersey Standard lashed back at this proposal with a belated concern for the market. "The full benefits of world trade can never be obtained if a policy which should be truly national in purpose is unduly influenced by domestic special interest groups."

American independent oil companies have tellingly pointed out that the international oil companies are subsidized not only by the huge American military budgets for the purchase of oil for its establishments around the world, but also by the cost of the defense establishment itself, including the Strategic Air Command, required to protect American holdings. A statement by the Texas Independent Producers and Royalty Owners Association put it this way on August 15, 1956:

Although Middle East oil is so abundant that it can be developed at a fraction of the cost of our own, it is far from "cheap." On the contrary, Middle East oil may already be the most expensive in the world market today when consideration is given to the fact that vast amounts of public funds are spent on the defense mechanism which is intended largely to protect American interests in Middle Eastern oil fields. Moreover, in these troublesome times that oil could become costly in American lives as well. . . .

About three months later, in November, 1956, the Anglo-French-Israeli invasion of the Suez Canal took place, and for a tense period it did indeed seem as if armed conflict might erupt on an international scale.

What does our foreign policy history add up to? Except for a brief period during World War II, the American government has consistently followed policies which curtailed domestic production in the name of conserving reserves in the ground for future military and "national security" emergencies. Simultaneously, the American government has encouraged American-based international oil companies to operate abroad, especially in the Middle East; in effect subsidizing these operations by maintaining elaborate military and naval establishments in the entire area surrounding the Middle East as well as by having underwritten the building of European refineries and by offering the companies exceptional tax benefits.

Now we are faced with an energy crisis. And domestic oil companies are being blamed for curtailing domestic production (which has been mandated by state regulatory agencies) while the Arab OPEC cartel is exclusively charged with the responsibility for the high price of Mideast oil.

In fact, the "crisis" which the government is now being asked to counter is the crisis of its long history of favoritism toward the American international oil and business interests, all of which has been carried out at the expense of the American taxpayer. The exceptional financial benefits (military sale, favorable regulation, Marshall Plan subsidies, government price fixing, and defense of foreign properties) which the international oil companies have obtained over the years have made their substantial tax payments to the United States treasury negligible in comparison.

What the government now wants is not to *encourage* domestic production but to *cut* American consumption by non-market means—allocation and rationing and artificial shortages. Isn't it time that the taxpayer decided to stop relying on governmental "protection" and crisis handling, and instead let Washington know his dissatisfaction with controls? A return to the free market for the first time in this century could solve the energy crisis, reduce swollen government expenditures, and increase everybody's freedom in the bargain. ❑

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ENERGY AND AMERICAN FOREIGN POLICY

ROY A. CHILDS, JR.

On June 25, authorities in Levittown, Pennsylvania, declared a state of emergency in an attempt to end two nights of gasoline riots that resulted in nearly two hundred arrests and more than eighty injuries. The demonstrations began Saturday when, as reported in a story based on U.P.I. and A.P. dispatches, "about twenty truckers were joined in a blockade of an intersection by motorists angered by the closing of a nearby service station. The crowd swelled to nearly two thousand by nightfall, and the protest turned violent when police ordered the crowd to disperse. The crowd returned to the scene Sunday night, and the demonstration was peaceful until a car was set afire in the middle of the intersection. Protestors then pushed a truck from a nearby service station into the flames and violence erupted again." Police fought the mob with teargas, while the three thousand rioters Sunday night pelted policemen with rocks and bottles. The gasoline riots had begun.

Meanwhile, thirteen representatives of OPEC—the Organization of Petroleum Exporting Countries—were meeting in Geneva to come to an agreement on a new rise in the price of crude oil. More radical OPEC representatives argued heatedly for a price hike to more than $22 a barrel from the present $14.55, while moderate Arab nations like Saudi Arabia wanted a much lower figure. The delegates finally agreed on a compromise which will mean a price hike in gasoline prices to American citizens of between five and twelve cents per gallon. OPEC members were in agreement on one thing: people in the West had not seen the last of oil price rises; they could expect to pay even more in the months and years to come.

June also saw other ominous signs, signs that threatened to erode still further the prosperity and liberty of the American people. Hearings continued in Washington, D.C., on the revival of the draft.

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Ominous signs threatening world peace were also in the air:

The New York Times reported that the departing Army Chief of Staff, Gen. Bernard W. Rogers, who is to succeed Gen. Alexander Haig as NATO's Supreme Commander, had said on June 21 that "the Pentagon was planning a military force of at least 110,000 men for contingencies in the Middle East or developing countries. . . . Gen. Rogers said that the proposed contingency force would be made up of soldiers, Marines and supporting ships and planes. He said that the force would be self-sustaining and prepared for combat in areas of the third world and the Persian Gulf."

All this comes as the climax and consequence of decades of government intervention into the American economy, in the energy industry, and in the internal affairs of other countries to secure access to crude oil and other energy-related raw materials. It comes as the climax of a confused and bankrupt American foreign policy scrambling to reconstitute itself in the aftermath of the collapse of the Shah of Iran, and of a quarter-century of American foreign policy in the Middle East. But it will not be reconstituted, and any attempt to do so is doomed to failure.

The chain of events which has led us to our present state, to a state where the American people have been reduced to rioting over gasoline, to being victimized by Arab sheiks, threatened by a return to the slavery of military conscription, and driven into yet another pointless war, is a complex one indeed, and the story is a fascinating and twisted tale of the intertwining of domestic and foreign policy, of government expansion of control in one area to insure the expansion of control in the other.

The expansionist impulse

When we deal in the theme of American expansionism, we must remember something at the outset: America has always been expansionist, for better or for worse. Throughout the nineteenth century, however, it did not always seem so, because its expansion was to territories contiguous to the United States itself: "manifest destiny," it was called, and its aim was to see the American State a unified whole, stretching from the Atlantic to the Pacific, encompassing all land from the fought-over border with Canada to the fought-over border of Mexico. Until the Civil War, however, the growth in government power in this country was slow and gradual; after the Civil War, the growth of government power began to snowball.

It was at the end of the nineteenth century that energy first became of paramount concern to political leaders; as several authors of the articles in this issue point out in some detail, a policy close to classical *laissez-faire* prevailed for a time. What happened was the development of a philosophy of empire, greatly influenced by the nationalists and soon-to-be Fabians in Europe—especially Britain and Germany—who began to draw American eyes toward an empire across the sea. Monetary manipulations during and after the Civil War—on a state and national level—produced recurring recessions in the post-Civil War period, and intellectuals and opinion leaders turned to Europe for their explanations and their prescriptions. Those explanations held that America needed foreign markets for its goods and services, and that the securing of those markets was a primary duty of the State apparatus.

The movement for a Big Navy was born, the Navy being the instrument of territorial expansion. And with that Big Navy movement came a need for fuel oil. Securing that oil shortly became a fundamental aim of policy, foreign and domestic alike.

World War I, a scramble over the imperial ambitions of European nations, showed the importance of oil, and the 1920s saw the beginning of fierce competition between the United States and European nations for influence in the all-important Middle East. The 1930s in turn saw even more widespread competition for empire and influence, as imperial rivalries began to flame. The conflict between the United States and Japan was partly over spheres of interest in the Far East, partly over oil. The Japanese attack at Pearl Harbor occurred only after the U.S. government, in a series of deliberately provocative moves, froze all Japanese assets in the United States and attempted to cut off Japan's supply of oil in order to cripple Japan's military adventurism in Asia.

The United States lost the least in that war, with not even a single major attack on its own territory, and moved in—as it had decided midway through the war that it must—to pick up the pieces by gathering unto itself what was left of the British and French empires. At the same time, on a domestic level, we were moving into the postwar boom, into what Henry Luce had called "the American Century," the era of government-guaranteed "cheap energy" and of inflation-financed economic growth. It was the age of subsidies, and the age of regulation. Hand in hand with cheap oil and gasoline came a twisted network of tax-financed roads artificially stimulating the American reliance on the automobile, and a deepening involvement in the Middle East, where so much of the precious crude was to be found.

The Middle East

Writing of this deepening involvement in the Middle East in a blockbuster issue of *The Nation* (June 9,1979) devoted to "Intervention," Irene Gendzier has written that

> Such intervention, whether direct or indirect, in the form of military, political or economic action, has always been the expression of the aggressive pursuit and defense of American interests. In the 1950s the emphasis was on the strategic nature of those interests and the need to cultivate allies whose policies coincided—or could be made to coincide—with those of the United States. Hence the inclusion of Turkey and Greece into NATO; the support for the Shah after the CIA-engineered expulsion of his Prime Minister, Mohammed Mossadegh, in 1953, allowed him to return to power; the attempt to impose the Baghdad Pact in order to isolate the "radical states" of the region, and the formation of the Eisenhower Doctrine, which was the basis of American military intervention in Lebanon in 1958.

Strategic interests also meant keeping the Soviet Union *out* of the Middle East, and this always had propaganda value in selling the American people on military intervention. And they meant keeping a fine balance between antagonists: between Israel and its Arab enemies. The continual buildup of support for the Shah in Iran was the other focal point of American foreign policy in the Middle East. The two would both ultimately lead it into near-disaster. With the Nixon Doctrine, which was aimed at a reduction of direct American intervention and relied increasingly on "proxies," particularly for the protection

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and defense of American interests, the stage was set for those disasters. Gendzier has pointed out that

> In the Middle East, two countries emerged as the new axes of American power: Iran and Israel. Israel's striking military victory in the Six Day War of 1967 enhanced its military prestige and its political usefulness in the eyes of American policy makers. . . . Iran had embarked on an expanded regional role in the aftermath of Britain's declared intention in 1968 of leaving the area of the Gulf. Britain withdrew three years later [and to what disastrous effect?], and within one year after that the Shah initiated his extravagant purchases of arms from the United States.

But the cynical attempt to balance contradictory goals—the American guarantee of Israel's security against cozying up to the oil-rich Arab states; the unflinching support of the Shah, increasingly isolated from his own people, against counting on a stable Iran—was doomed to ultimate failure. The 1967 Israeli victory in its war with the Arab states had been a quick victory. A quick victory was not to be had in 1973. King Faisal of Saudi Arabia issued a warning: if the United States rushed in to aid Israel in this war, there would be important sanctions against the Americans. The American government paid no heed, and rushed billions of dollars of aid to Israel. The Arab nations lashed out with their ultimate weapon: oil. The 1973 oil embargo was upon us, hitting us in the midst of Richard Nixon's wage and price controls, which were clamped particularly hard on oil and natural gas. Shortages erupted everywhere, as they alway do during a period of price controls and diminished supply, and the American people were badly hurt. But Nixon did not budge. Instead, like others before and since, he scapegoated the oil companies, and the Arab sheiks.

Within a few months, American leaders were even threatening war. "War for oil," it was called, and the battle cry was everywhere. It was as though Vietnam had never happened: not so much that the lessons of Vietnam had not been learned, but rather as if there were no lessons to be learned. It surfaced first in mid-December 1974, when a note was circulated at the Camp David meeting of President Jerry Ford's *energy advisers:* "Let's try the low-cost option—war." [*International Bulletin,* 3/17/75] To which a *real* economist, and someone who understands what it is to be *human,* responded: "This is typical economists' jargon, that of course deliberately avoids the question: 'low-cost' for *whom?* For the American boys who will fight and die? For the American taxpayer who will be forced to pay the bill? For the Arabs who get killed (or don't they count?)? For people of all countries who might get incinerated in a new world war?" That was Murray Rothbard, advocate of *laissez-faire* and opponent of war, writing in the February 1975 issue of *The Libertarian Forum.* But it was not such voices which were, by and large, raised to reach the public ear.

Instead, just a few days after the December 1974 meeting of Ford's energy advisors, we heard the ponderous voice of Henry Kissinger, weighed down with the gravity of self-importance, suggesting explicitly for the first time the possibility of U.S. military intervention to seize Middle Eastern oil. As the indispensable *International Bulletin* reported it:

> In his widely publicized interview with *Business Week,* published January 2, Kissinger said that although he considered military action on oil "a very dangerous course," he would "not say that there's no circumstance where we would not use force." Kissinger added that he was thinking not of a dispute over oil prices, but of "some actual strangulation of the industrialized world."
>
> Kissinger's statement set off an immediate domestic and international furor, but it received full support from President Ford. In an interview with *Time* magazine published January 12, Ford was asked to clarify the term "strangulation," which critics charged is vague enough to justify intervention at almost any time. The President said only, "Strangulation, if you translate into the terms of a human being, means [is this seriously a President of the United States talking?] that you are just about on your back." Two day later, Secretary of Defense Schlesinger expressed his concurrence with the administration position that the U.S. would use force if strangulation of the Western world were threatened.
>
> The State Department sought to downplay the significance of Kissinger's original comments to *Business Week,* and some columnists and editorial writers portrayed the secretary of state as simply stating the obvious. . . . [T]he Kissinger-Ford-Schlesinger threats of military intervention have been taken seriously around the world—from Europe, where they have aroused anxiety, to the Arab states, where they have met with anger, to the U.S., where they have intensified the already growing debate over whether the U.S. should take military action to secure Middle East oil—and if so, when. [*International Bulletin,* January 17, 1975]

It was their own foreign policy blunders, together with the *macho* self image which told them they could have whatever they wanted in international affairs, damn the consequences, that had led them to this state.

One really must pause here for a moment and let all this sink in. Here are the supposed leaders of the "free world," having caused an energy crisis through decades of prices held artificially low, through irrational, stubbornly maintained price controls and a bizarre foreign policy which tried in the case of Israel and the Arab countries to have its cake and eat it too. And when Arab nations responded to this—and to Western inflation which had by then gone out of control—by raising prices to a more realistic level, these selfsame leaders threatened to *murder* them and their subjects, to send American boys off to be chewed up in pointless battle, *rather than to let prices rise.* Oil prices had risen fourfold. And yet when these selfsame political leaders led us into policies which saw taxes rising *fivefold,* from less than $100 billion under Lyndon Johnson's first years, to half a trillion and more under Jimmy Carter, there were no calls to murder *them.* The situation cannot really be compared: the Arab sheiks, no matter how contemptible, were at least supplying something useful, which people were free *not* to buy. But hypocrisy is rife in Washington these days.

Endorsement of intellectuals

The call for war by our political leaders was not the worst of things. In an essay written in 1967—"American Intellectuals and Foreign Policy"—Irving Kristol pointed out that an imperial policy desperately needed the support of its intellectuals to succeed, and bemoaned the fact that American intellectuals, in the midst of the Vietnam war, were so damned *irresponsible:* rather than accepting the American domination of the world arena and trying to make that domination work better, they stood steadfastly opposed to our efforts in Vietnam and elsewhere. Kristol considered this "utopian," and merely a form of reactionary "isolationism." The isolationist ideal, Kristol complained, survived not "simply as some kind of 'cultural lag,' but by reason of being intimately conjoined to 'the American way of life,' and to the American intellectual creed. This way of

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life insisted upon the subordination of public policy to private, individual needs and concerns. It had little use for the ideas of military glory, which Abraham Lincoln called 'that attractive rainbow that rises in showers of blood—that serpent's eye that charms to destroy.' It was intensely patriotic, but allergic to all conceptions of national grandeur." Kristol was not quite right: the American people have always felt a certain quiet grandeur about being a "beacon of liberty." But he went on to claim that this "isolationism," so called, utopian and evasive of the American destiny, was slipping in prestige among the American people, but not among the intellectuals. Indeed, "It is among American intellectuals that the isolationist ideal is experiencing its final, convulsive agony." This was a serious problem, for Kristol knew that "It is much to be doubted that the United States can continue to play an imperial role without the endorsement of its intellectual class." But in 1967, in the midst of the crime of Vietnam, that endorsement was simply not forthcoming.

A few years later, that endorsement seemed a bit easier to get. The call for war for oil was not to come from political figures alone. They were joined by an articulate band of what Harry Elmer Barnes used to call "court intellectuals," who laid out the case for war . . . well, quite bloodlessly. In the pages of *Harper's,* in March 1975, a Washington-based professor and defense consultant described as "having intimate links to high-level U.S. policy makers," published under the pseudonym "Miles Ignotus" an essay called "Seizing Arab Oil." He was flatly for it. His approach was petulant: if we really were at the mercy of the Arab nations to get our oil, then "we no longer need a foreign policy establishment, and we might as well disband the armed forces unless we double or triple their strength: there is no sense in paying $85 billion a year for impotence." A telling point, that. But our professor was not about to follow up on that point: he had his very own "scenario," to wit, we must

"The American people have been reduced to rioting over gasoline and being victimized by Arab sheiks as the climax and consequence of decades of U.S. government intervention in the internal affairs of other countries to secure access to crude oil."

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avoid a failure of nerve: "an Arab embargo or supply cut, an atmosphere of crisis, probably in the aftermath of a short but bloody war. Then we go in." One might assess the courage of this particular intellectual by noting that he is "courageous" enough to advocate war, but not enough to sign his name to his own views.

But not all intellectuals were of such questionable moral character. One man did sign his name to his views—and often. He had been one of the most prominent of the "isolationists" or noninterventionists, identified in the 1972 campaign as a "McGovernite," correctly or not. In a 1972 book entitled *A New Isolationism: Threat or Promise?*, he had concluded solidly that isolationism was a promise not to be missed, filled with humanity and wisdom and practicality.

Two and a half years later, he had defected to the enemy camp. His name is Robert W. Tucker, professor of international relations at Johns Hopkins University, and he became a figure of some symbolic importance. Had he not, it was said, been one of the most vocal critics of interventionism? And when he appeared, not once but twice, on the cover of the neoconservative, hawkish journal of opinion, *Commentary*, first with "Oil: The Issue of American Intervention," in January 1975, and then, a scant two months later, with "Further Reflections on Oil and Force," was this not something of which we should sit up and take notice?

It was. And since we are here dealing with an important symbolic figure, it might do us well to consider what went wrong, if anything. For it really cannot be denied that *A New Isolationism: Threat or Promise?* was a work which even a noninterventionist like Earl Ravenal, writing in the pages of *The Washington Post*, found impressive, if short.

The isolationist impulse

In that work, Tucker held the view that "In light of recent experience . . . the costs of pursuing an interventionary policy hold out every expectation of outweighing by far any reasonable expectation of material benefits." And he considers some of the strongest arguments *for* an interventionist foreign policy, one of them being the argument that we must intervene in order to secure access to raw materials (including such things as crude oil) answering those who claim that only by military or other intervention can we guarantee such access:

> Why too should we assume that revolutionary, and otherwise hostile, regimes would deny us (or, for that matter, other developed and capitalist nations) their raw materials? These regimes may be expected to exercise direct control over their natural resources and attempt to obtain the best possible price for them. But they will still need foreign exchange to finance their own accelerating import needs, and raw material exports will still provide means for obtaining foreign exchange.
>
> The argument that developing states will shut off an isolationist and, consequently, noninterventionist America from present sources of raw materials is as absurd as the argument that once we have clearly abandoned our aspirations in the Third World the Soviet Union will succeed where we have failed. There is no evidence to support this argument, with its evident implication that the constraints a highly nationalistic and pluralistic world have placed on American power will not operate as well to constrain Soviet power. (p. 60)

His argument against the notion that we are utterly dependent upon foreign-based raw materials is similarly to the point, and especially relevant in the light of his later conversion. He admits the possibility of our being inconvenienced, but disputes the assumption that such inconvenience need be very great: if foreign, high-yield deposits are shut off, we still have the option of developing domestic, lower-yield deposits with which to replace them.

Tucker writes:

> How inconvenient this might prove to be in terms of cost would depend upon a number of factors. A rapidly advancing technology would almost certainly reduce significantly this inconvenience. This is true not only of metals—where technology has come to affect every aspect of production, where methods of recovery and recycling are constantly improving, and where prospects for substitutions are almost open-ended—but of practically all minerals and mineral products. In the all-important case of energy, synthetic fuels may be expected in the years to come to play an increasingly prominent role in meeting the so-called energy crisis. Indeed, the "crisis" itself must be questioned inasmuch, for the forseeable future, the United States has within its boundaries resources sufficient to make it quite independent of other nations for its essential energy needs. If what is presently lacking is the technology for utilizing these resources, there is reason for assuming the lack can eventually be met.

Yet within a couple of years, Tucker had become the most prominent advocate of invading the OPEC countries to secure access to oil. What had changed his mind? Tucker's critique of the argument from dependence, as we shall call it, is entirely mechanical and technical. Tucker is no economist, nor an historian, and his ignorance of the two fields (particularly, as we are concerned with here, economics) leads him to abandon his noninterventionism when the going gets rough. Not once in his analysis is he led to consider the effects of such things as price controls, nor to consider the extent to which they might be responsible for the "energy crisis." Instead, his blindness to economic truths leads him to join the camp of the neoconservative hawks who, paradoxically enough—again—claim to be sympathetic to basic free market economic insights. When his technical estimates of the actual degree of American dependence on foreign oil—a dependence deepened and cemented by American energy policies and economic meddling with the free market—fail him, he turns away from even considering abandoning government power in the realm of economics and of energy. He turns away from the possibility of *laissez-faire* and so from noninterventionism, and instead turns toward war, which he no doubt will face just as courageously as any other noncombatant.

What case does he make, two and a half years after his defense of noninterventionism, for war for oil? To understand this is to understand the key to our energy and foreign policy problems in America today.

Conversion to war

Tucker recites "the reasons that have been given, though only rarely, and then with a rather patronizing air, in rejecting the possibility of using force or posing a credible threat of force." In sum these arguments are:

> that military intervention, though confined to a relatively restricted area, would prove technically very difficult, if not impossible, to carry through successfully, even if it is assumed that the Russians would not respond with force [on their own *borders?*]; that even if technically feasible, intervention would in all likelihood have to be

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undertaken unilaterally and would provoke the strong condemnation of our major allies, not to mention the complete estrangement of the developing world; that a militarily difficult and politically inexpedient action would also be unnecessary since there are means by which the financial and economic dislocations attending current oil prices can be contained and ultimately managed; and, finally, that military intervention against any of the major oil producers would be seen as an act of moral bankruptcy by the nation itself and, for this reason alone, would not be countenanced by public opinion. ["Oil: The Issue of American Intervention," *Commentary*, January 1975]

There are other reasons, he states, but these are the main ones, and if any one of them is well taken, then war must be rejected, for "one does not seriously consider a course of action, distasteful [!] in any circumstances, that must in the instant case prove impossible, self-defeating, unnecessary or utterly debilitating from a moral standpoint." Nonetheless, Tucker sweepingly dismisses all these arguments and is willing to see a war launched to forestall—as he sees it, with all the views of causality which are implied—a "disaster" on the level of the depression of the 1930s. (One surely should pause here, too, to consider what are being compared: economic hardship of a regrettable kind, versus mass murder.) But Tucker's main point is directly related to his earlier defense of isolationism, which was, remember, on technical grounds, sidestepping the economics of the price system and of the effects of wage and price controls. For his major point is simply that it is high oil prices which may precipitate a worldwide depression. For this he offers not a shred of proof. And, indeed, the experience of the post-1973 oil embargo refuted him soundly, particularly in the case of Germany, where there were no price controls, and which never did experience shortages or any severe "energy crisis" other than higher prices, which the Germans were adjusting to nicely, thank you. When someone asks *why* understanding the price system is so important, *this is* the answer: without it, there is no way to understand the spontaneous processes of adjustment which a free market can set into motion; without it, in short, one is driven to advocate *war*. For despite a mountain of words, Tucker's argument came down to this: "The oil price must come down if the crisis, with all its latent dangers, is to be overcome, but no one knows how this is to be achieved within the short-to-medium term." Ergo, war. All the rest is a technicality: where and how and when to do it.

The reaction to Tucker's analysis was swift and to the point. Earl Ravenal, writing in the January 18, 1975 *New Republic*, in an article called "The Oil Grab Scenario," called it a proposal of "international armed robbery." The indefatigable I. F. Stone, writing on "War for Oil" in the February 6, 1975 *New York Review*, called it "criminal nonsense," ridiculing Tucker's sparse knowledge of history, geography and military strategy. Murray Rothbard and Joseph R. Stromberg did similar things in the February 1975 issue of *The Libertarian Forum*. The debate was on.

So were the feasibility studies. In 1975, a Congressional study, complete with maps, entitled "Oil Fields as Military Objectives: A Feasibility Study," detailed the pluses and minuses of marching into OPEC, guns blazing.

Revolt in Iran

The Iranian situation was about to speed these plans up. The Shah was in trouble, his grasp on the throats of his people loosened, and a quarter-century of American foreign policy interventionism was about to go down the drain. Irene Gendzier sets the stage for us in her article from *The Nation* (see also the trilogy of LR editorials in our January 1979 issue):

The military cooperation between Iran and the United States began in the immediate post-World War II period. It is estimated that from the end of the war until 1975, more than 11,000 Iranian military personnel were trained at American installations. . . . Altogether an estimated 8000 Americans, or "a fifth of the Americans in Iran," were involved in providing military training. . . . Between 1972 and 1976, the total sales of American arms to Iran was $10.4 billion, while that figure was scheduled to reach $18.5 billion for the period 1970-1983. The consequences, in terms of existing Iranian military capability, were fairly stark: American military training and presence would be necessary for any sustained Iranian action. . . .

It was, however, in the training and provisioning of the notorious Iranian security apparatus, SAVAK, which operated not only in Iran but abroad and in the United States, that America demonstrated its willingness to become engaged in a form of intervention far more pervasive and critical to the operation of the Shah's state than military collaboration and intervention, as previously understood, would have warranted. It is by now an open secret that SAVAK had been set up by the CIA in 1957, and the collaboration intensified over time.

The terrorists of SAVAK were not alone in promoting instability and eventual revolution. Anxious as were American leaders to secure access to oil, they were also anxious to funnel the cash to pay for that oil into the hands of the Shah, to be used by him in his efforts on behalf of the forced "modernization" of the Iranian people. For the American liberal establishment was "progressive," you see.

Here we come to yet another element in our story: the role of development economists. For if we are to have "progress" and "modernization," what path shall we use? Just as there are two fundamental alternatives in foreign policy—nonintervention and war—so too are there two fundamental alternatives in development: *laissez-faire* and the spontaneous order of a free market, roughly the position of prominent development economist Peter T. Bauer, and state socialism with central economic planning, roughly the model of Gunnar Myrdal. In Iran, it was Myrdal and central planning, hands down, complete with five-year plans and much government-funded investment. Just as in the case of intervention in foreign policy, the forced modernization wreaked havoc with the lives of the Iranian people, destroying ways of life that people had chosen, forcing Western ways on an Islamic people. It caused disruptions and instability, and, together with the preeminent American military presence and the obvious guiding hand of American "planners" advising the Shah, it brought the people of Iran to their feet and into the streets in protest and anger. They rose up and threw the Shah out of their country, telling Americans that they had better follow close behind, or have their "hands chopped off." The oil stopped flowing, and another crisis—still the price controls were with us—was upon us.

The talk about "war for oil" quickened.

Writing in the middle of the 1978 Iranian protests, in the July 24, 1978 issue of *Inquiry*, Jan Austin and Banning Garrett pointed out that

In a secret five-page order issued last August, President Carter directed the Pentagon to form a rapid reaction mobile force for quick strikes in Third World crisis spots, primarily in the Persian Gulf. The order, which sets overall guidelines for U.S. defense

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policy, is known as Presidential Directive 18. The Pentagon still has not given out any details about the mobile strike force, but from press leaks and interviews with informed military analysts, the following picture emerges: the strike force will consist of about 100,000 troops, including two army airborne divisions and a marine amphibious force. In addition, the Pentagon has been directed to beef up its strategic airlift and sealift capacity so that it can quickly transport these forces to a potential combat zone. The strike force will apparently be backed up by two to four aircraft carrier task forces and by up to three air force air wings, totaling about 200 planes.

Robert Tucker seemed to be getting his "credible threat" of force. By January 1979, the threat seemed more real than ever, as the Shah was toppled, and planning for eventual war moved into high gear. As the *International Bulletin* reported it,

> Although there had been little public discussion of the idea for months, *U.S. News* reported last November that "Pentagon teams are studying contingency plans involving the use of a 'quick reaction force' in future crises" in the Gulf. . . . The renewed attention being given the strike force is clearly in reaction to the crisis in Iran. A Pentagon official told *Internews* that with the loss of Iran as a regional power, the quick strike force could become more important because "we'll have to be able to move more quickly and directly" into the region "to protect oil supplies." [*IB*, January 29, 1979]

The Shah had been loaded down with one of the largest military forces in the world so that he could act as the dominant power in the Persian Gulf, as a U.S. "proxy" and tool of American foreign policy. Now he was on indefinite vacation, and we seemed to be in trouble. The threats and planning were escalated. In February 1979, Defense Secretary Harold Brown told the American people on a television interview show that the U.S. was prepared to "take action that is appropriate, including the use of military force." Energy Secretary James Schlesinger said that "the United States must move in such a way that it protects those [oil] interests, even if that involves the use of military strength or of military presence." On April 20, *The New York Times* headlined a story by Drew Middleton: "U.S. Earmarks Force for Fast Deployment in Mideast":

> The United States is forming contingency plans to establish a force of 100,000 troops, including 40,000 combat soldiers, for use in defense of American interests in sensitive areas, according to qualified Pentagon sources.
>
> Although the contingency planning for the force covers all of the Middle East and the northwestern Pacific, it is the Persian Gulf area from Iraq in the north to Omán on the Arabian Sea in the south that is regarded by the defense department as the most potentially explosive region. . . .
>
> Contingency planning is going on under the accepted strategic doctrine that the United States must be prepared to fight one and a half wars. The major war would be in defense of Western Europe against the Soviet Union [!]; the term "half war" refers to intervention in the Persian Gulf, the Middle East or the northwestern Pacific.

With Pentagon analysts, it seems, half a war is better than none. So public opinion was being pushed toward war, as fast as the Administration could manage. Suddenly we were selling weapons to anyone in the Persian Gulf who would buy them, never mind that our weapons in Iran had ended up in the hands of the Khomeini, who turned them over to the PLO. And, so that there was no need to publicly argue for increased defense budgets, the Administration began quietly rearranging things so that it could have the stockpile of weapons it needed. And now the Congress is about to vote on registration for the draft.

We are headed full speed into war, and no one is thinking.

Lessons of Iran

But what really *were* the "lessons of Iran"? We have only treated the cause of the revolution, which was in large part American intervention, and the militaristic rantings of our leaders. But what actually was the effect? Were we in the midst of a disaster, as Tucker would have us believe?

The best answer was in the pages of *The New Republic*, in the issue of February 24: "Another Lesson of Iran: Oil Embargoes Don't Matter—The Oil Crisis that Isn't," written by S. Fred Singer, who teaches energy economics at the University of Virginia.

Singer lost no time in getting to the point:

> [T]here is no crisis, nor need there be one in the future, unless we make one ourselves. And we surely will do just that if we resort to such controls as mandatory allocations and rationing. These would be designed to maintain a system of price controls in the U.S. while world prices of crude oil rise. This price gap is a sure prescription for "shortages." We should have learned from the Arab oil embargoes of 1973-74 that intervention with the market for oil and oil products causes all kinds of fearful dislocations, real shortages, economic harm, and many inconveniences.

Singer calmly reviewed the facts about prices and the possible price effects of the Iranian cutback, and deduced that if prices rise enough, there will be no shortages, only a period of economic adjustment to higher energy costs. In the unlikely event that *all* oil should stop flowing from the Middle East, we would have a greater problem, but that was not probable.

Singer went on to point out that

> There is another use for the Iranian oil cutoff—a political one which may have major significance for us. An important lesson can be drawn from the present Iranian experience, namely, that a future oil embargo is not likely to hurt the U.S., or other Western nations for that matter. Right now we have an embargo in every respect but name. . . .
>
> The sooner we can demonstrate to everyone that an oil embargo would be largely ineffective, the sooner the world can get on with its business and pursue more rational policies. The Iranian oil cutoff provides such a demonstration, and it should dispel, once and for all, the fear of an embargo, which has so strongly dominated the thinking of governments and of the public over the last five years.

The much-vaunted "oil weapon," he concluded, was a fraud and a hoax: the only likely result of future cutbacks is higher prices, on a gradual basis, and if price controls were abolished, the American economy could easily adjust. *This* was the lesson of Iran.

Our journey through the energy crisis and the crisis of American foreign policy cannot be complete until we draw certain lessons from this crisis, lessons which transcend the narrowly strategic or economic. For if, in the final analysis, government intervention in energy—indeed, in all aspects of economic life—has been destructive and harmful, and if an interventionist foreign policy has brought chaos down around our heads, what are the prospects for an alternative set of policies? What are the prospects for a noninterventionist foreign policy, to replace our present thrust to war? Isn't it the case that we need to intervene to get access to oil and other raw materials, and that if we do not concern ourselves with the internal politics of other nations, hostile

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governments may come to power and damage our economic system by shutting off our access to crude oil, or raw materials?

Lessons of Angola

This indeed was the concern a few years back in the situation of Angola, and it is Angola which provides us with a virtual laboratory for the thesis that there is no such threat. In 1976, when faction battled faction in war-torn Angola, the U.S. lined up against factions backed by Cuban troops. President Ford sought to plunge us into the Angolan conflict, but Congress stopped him. At the same time, Ford's main challenger, Ronald Reagan, was calling for us to "eyeball" the Russians over Angola. These policies lost out: Congress was uneasy with intervention in the aftermath of the Vietnam war, and would not budge. We lost that particular conflict, and Cuban-backed elements came to power. Were we cut off from our oil and other raw materials? Far from it. As the *International Bulletin* pointed out, "Anxious to expand production and obtain badly needed foreign capital, Angola's leftist government is quietly engaged in a series of negotiations with nearly a dozen U.S. and Western European oil companies. The talks . . . concern the opening of large areas of the Angolan coastline to oil exploration." (January 29, 1979) These negotiations are taking place between the companies and the Angolan government through the Arthur D. Little consulting firm of Cambridge, Mass. And far from disrupting American access to these supplies, Cuban troops are actually being used to *protect* our access from sabotage by insurgents backed by French interests. No one here is applauding the victory of that Cuban-backed regime; that is not at issue, since the alternative—actual *war,* the murdering of innocent Angolan blacks—is far more inhumane than that reprehensible regime. *Which* is the more callous policy: to see the Angolans ruled by leftists, or to bring down upon them war, that is, twentieth century war, with all its attendant civilian horrors?

So *this* is the lesson of Angola: where the State takes responsibility for energy, war will be the result; where the market is left free to function, peace reigns.

Left and right

The energy crisis has been brought to us by government, and so has war. The explosive situation which we face is caused by an explosive situation which lies behind it: the fact that the Left and the Right have not communicated with each other in this country since at least World War I. Instead, they have spat at each other and refused to engage in any meaningful dialogue on the burning issues of our time.

This would not be a problem, except for one overwhelmingly important point: each segment of the political spectrum has a partial answer to the problems of the day, but no sooner does it make a right move in one direction, than it makes a wrong move in another.

The Right wants a partially deregulated energy policy, usually limiting its demands to *price* deregulation to solve our energy problems, but it combines this with a call for even more intervention and war in foreign affairs to gain access to oil. The Left wants a partially noninterventionist foreign policy, usually limiting its opposition to troop movements and covert operations, yet it is demanding more regulation in the energy industry: nationalization, central economic planning, "energy plans," price controls, and taxes. One wants partial nonintervention in the domestic economy, but stepped up intervention in foreign affairs. The other wants partial nonintervention in foreign policy, but stepped up intervention in the domestic economy. Neither goes far enough in the areas where they are right; both are flatly wrong when they back intervention in their approved area. The Left is skeptical of the Right wing's free market rhetoric, because all too often it is used as a cloak for pro-business subsidies and corporate abuses. The Right is skeptical of the Left wing's foreign policy, because all too often it masks a welcoming of socialist and communist victories, as when leftist attorney William Kunstler recently declined to sign Joan Baez's protest against human rights violations in Vietnam, on the grounds that he would brook no public criticism of a socialist country. Both sides are partially right, and partially hypocritical, but we must not, as honest men and women in search of a policy, let their hypocrisy blind us to the truths that they speak. The truth cannot be hypocrisy's hostage. It must be fought for boldly, and often.

If neither goes far enough, then where ought we to go? Toward a noninterventionist foreign policy and a *laissez-faire* policy in energy, and indeed, in the entire economy as well.

The feasibility of *laissez-faire* in energy has been treated often enough. Apart from stating the unanswerable moral objection that intervention violates individual rights in the countries in which we intervene and ultimately will result in the murder of innocent citizens, we ought to consider as well the costs and benefits of a noninterventionist foreign policy.

University of Rochester economist David R. Henderson has done a few simple calculations in this area.

The U.S. uses twenty million barrels per day of crude oil, nine million barrels per day being imports, two-thirds of this coming from the OPEC countries and others in the area. If there were a *drastic* reduction in Arab oil production—say forty percent—the cost of this would be *$32 billion to Americans*. That is the stark cost, which, just for the sake of argument, leaves out completely the gains to producers in the free world which will result because of their own increased production and sales which would be stimulated by a higher price.

Now what would be the savings from going to a noninterventionist foreign policy for America? Not merely a noninterventionist foreign policy toward the Middle East, which would itself save between $20 and $25 billion yearly—but a noninterventionist foreign policy toward the entire world? Defense analyst Earl Ravenal has calculated the cost to us of our interventionist foreign policy at being $88 billion annually. "Europe alone costs us $62 billion a year," he estimated recently in *Inquiry* magazine, figuring direct *and* indirect costs.

"Less than 30 percent of our entire defense budget goes toward the direct defense of our country and its own essential interests."

If we could save $88 billion a year by pursuing a noninterventionist foreign policy, and slash taxes to that extent—in fact slash taxes even more after we abolish the $10+ billion Department of Energy as a start toward

(continued on p. 98)

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BOOKS AND THE ARTS

The conservative mind

RALPH RAICO

The Pursuit of Happiness, and Other Sobering Thoughts, *by George F. Will. Harper and Row, 333 pp., $10.95.*

WHAT IS A CONservative, and how does a conservative differ from a libertarian? Drawing the line between the two, and etching that line into the public's consciousness are among the most pressing tasks facing libertarians today. The publication last year of many of the collected columns of George F. Will was therefore a very welcome event. Will, at least the peer of any conservative journalist around, is just as eager to distinguish his philosophy from ours as we should be.

Will is something of a phenomenon. There can't be too many other columnists who pursued graduate studies at Princeton and Oxford. (At Oxford his conversion from left-liberalism was helped along by fellow-student Bruce Goldberg, who, a little before that, at Princeton, had pointed out to Bob Nozick that there were certain problems with his socialist ideology.) But Will soon found his real love—not scholarship, but politics. For a while he worked as a senatorial aide and wrote a Washington column for *National Review*. Within a few years, his talents, especially his graceful writing style, made him the *Wunderkind* of American political journalism. He is now a syndicated columnist for the *Washington Post*, a columnist for *Newsweek*, and a commentator on the *Today Show*; the year before last, he won the Pulitzer Prize for political commentary. The question has been raised, "Why do we need William Buckley now that we have George Will?" and one sees the point.

Without a doubt, Will is head and shoulders above the usual run of political journalists, and he often shows himself to be an intelligent and, occasionally, even a sensitive man. He has a considered and integrated political position which many people, in the present neo-conservative climate, find congenial. I myself find it to be antipathetic and systematically wrong. Moreover, I think that a close examination of that position will uncover affinities to a quite different philosophy than libertarianism.

The title of Will's collection of columns, *The Pursuit of Happiness, and Other Sobering Thoughts*, is deliberately chosen and is significant. At the very beginning, Will complains about our American preoccupation with happiness: "Modern Americans travel light, with little philosophical baggage other than a fervent belief in their right to the pursuit of happiness. But," he adds ominously, "there is more to the political enterprise."

Will is, in fact, the self-proclaimed champion of a "counter-cultural" point of view, one that exalts politics *per se*. He is careful to distinguish himself from others who are sometimes (mistakenly) called conservatives simply because they oppose government action in the economy. In an obvious attack on the libertarian strands within contemporary American conservatism, Will states: "Some of what passes for conservatism is a radically anti-political ideology, decayed Jeffersonianism characterized by a frivolous hostility toward the state, and lacking the traditional conservative appreciation of the political vocation and the grandeur of its responsibilities." Some of the grandest of these responsibilities derive from the proposition that, as Will informs us, "statecraft is, inevitably, soulcraft."

Will is at pains to recover American conservatives—themselves infected by the individualism that is the genius of our civilization—for a more strenuous, collectivist, and historically authentic form of their common philosophy. American conservatism, he asserts,

> often has been inarticulate about what to conserve, other than "free enterprise," which is institutionalized restlessness, an engine of perpetual change. But to govern is to choose one social outcome over others, to impose a collective will on processes of change. Conservatism that does not extend beyond reverence for enterprise is unphilosophic, has little to do with government, and conserves little . . . Politics should be citizens expressing themselves as *a people*, a community of shared values, rather than merely a collection of competing private interests inhabiting the same country.

(Just by the way, that "competing" is odd, if not disingenuous. It's probably intended to suggest that a ruthless Darwinian struggle prevails under free enterprise and within the voluntary sector. But don't individuals and groups compete ruthlessly for political power? And aren't free enterprise and other voluntary social arrangements based also on cooperation?)

In fact, one of the most interesting things about this conservative philosopher is how critical he is of the market. For Will, government is there, among other reasons, to make good the market's inherent deficiencies. And these are not only of the grandiose kind—admittedly, the market has no way of proclaiming "shared values." Even in allocating resources among competing uses, the market can misfunction disastrously, Will thinks, since it cannot deal with long-range future needs.

In one column in the spring of 1977, during the hullabaloo about the "energy crisis," Will addressed the question of the government mandating the production of compact, energy-efficient cars, and discouraging the production of more powerful cars. He poses the question, "What entitles the

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government to censor consumer preferences?" and supplies the answer:

> Government exists not merely to serve individuals' immediate preferences, but to achieve collective purposes for an ongoing nation. Government, unlike the free market, has a duty to look far down the road and consider the interests of citizens yet unborn. The market has a remarkable ability to satisfy the desires of the day. But the government has other, graver responsibilities, which include planning for the energy needs, military and economic, of the future.

Let us leave aside the implied claim that the market is able to serve only the desires of the day. We can debate that with Will after he's read something on the function of speculators in a market economy—the pertinent chapter, say, in Frank Knight's *The Economic Organization*. It would be helpful, though, if we could find out—Will himself gives us no clues—what leads him to think that *the government* is able to plan for long-term energy needs. On March 18, the *New York Times* reported that, "The Department of Energy says—Energy Secretary James R. Schlesinger testified so last week—that the nation is short 500,000 barrels a day, and creeping toward 800,000 barrels. The Congressional Research Service says the shortage is only 80,000 barrels a day." Since the government's experts can't even get *current statistics* right, why does Will believe they are likely to be correct in their forecasts of conditions twenty or forty years from now? Their record in predicting their own inflation rate and their own budget deficits even one year ahead of time isn't exactly awe-inspiring. Furthermore, the fiasco of the strategic oil reserve (*Inquiry*, April 16) gives every promise of being merely the first of an endless series of spectacular blunders. And yet, after devoting all of 800 words to the subject, Will, with stunning irresponsibility, proposes entrusting the government with the entire energy field for the indefinite future.

In thus delivering over the American energy industries to the soulcrafting politicians, Will betrays not only his own frivolous infatuation with the state, but also the most *apolitical* perspective possible. He gives no evidence at all of grasping what government energy planning actually entails in the context of the system of state-corporate capitalism whose blessings we presently enjoy. Riddled with favoritism and corruption, the prey of contending packs of predators, the Commissariat of Energy will busy itself with issuing decrees and regulations whose function it will be to amass fortunes for the privileged and liquidate them for the unprivileged. If Will doesn't know *that*, then what's the point of living in Washington?

There is worse to come. Will concludes this particular column, vindicating the state's right to censor consumer preferences in automobiles, by placing it in the framework of the government's overall responsibility: "Washington is the city of government and is responsible for stipulating the national interest. So, increasingly, it will discourage some ways of pursuing happiness." *Increasingly?* Up until what point? Just what sort of future does Will have in mind for Americans?

George F. Will

Given Will's view of politics, it is not surprising that he should be today's leading journalistic exalter of the office of the Presidency. It happens that certain recent well-known events—like Vietnam and Watergate—have taken the wind out of the liberals' traditional enthusiasm for presidential power, while radical scholars have demonstrated that presidentially-directed spying on and harassment of political dissidents certainly didn't begin with Watergate (they go back at least to Franklin Roosevelt). But Will remains unaffected by suspicions that the office has become a dangerously powerful one. On the contrary. In this myth of politics as the working out of the Common Good and the National Interest, the President is accorded the hero's role: "To the extent that the government has an engine, the presidency is it; to the extent that the nation has a political will, the President expresses it." The President is "the articulator of collective aspirations, or he is not much," Will complains regarding Gerald Ford, who was not much of an articulator. When Nixon decided to dress up the White House guards in outlandish, semi-Prussian uniforms, Will was the only journalist (to my knowledge) to defend the move, probably recalling some fragments of Bagehot on the symbolic functions of the head of state. The idea, he lamented, deserved a better tailor.

But, for all his talk about politics as the arena where men express their better natures—where they forget, for a while, the selfish pursuit of their own piddling happiness and attend to higher and nobler things—the ironic but predictable fact is that nowhere in his whole book does Will ever show that this ideal has even the slightest connection with politics as it actually exists. In fact, he never gives us the

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meagerest reason to believe that any recent American political figure ever attained the moral level of your average furniture salesman. Where is there any trace of nobility or "the grandeur of statesmanship" in his descriptions of the American political scene and its real-life inhabitants: the Lyndon Johnsons and the Hubert Humphreys, the Richard Nixons and the Spiro Agnews, the Jimmy Carters and the Walter Mondales (and those are the *top* of the line!)? Thus, there is a strange fantasy quality about Will's political philosophy; and if one wanted to psychologize him, as he is so ready to psychologize New Leftists, his evident deep need to validate the status quo would be the obvious starting-point.

As it happens, Will himself gives us, though inadvertently, a close look at how politics works in reality, what his high-sounding principles mean in the concrete. This occurs in the sentimental column he wrote following a farewell party for Senator Gordon Allott, a Republican from Colorado, on whose staff Will served from 1970 to 1973. Will entitled the column, "Gordon Allott: Not a Malleable Man," for, as he states, Allott "is not the sort of malleable man who finds it easy to pour himself into new molds."

Allott's years in the Senate were well-spent, Will finds; among other things, "He helped bring Colorado light technological industry that does not use Colorado's most precious resource, water." But those noble years of public service are now ended, and there is a great bitterness in the piece over that fact. For Will feels that Allott, who lost by a small margin, was defeated for reelection in 1972 because Nixon refused a request to stop off in Colorado for a campaign appearance with him. "For twenty years," as Will says, "Allott had been a supporter of Nixon. For four years he had been an especially loyal supporter of even President Nixon's dumbest causes—the SST, Judge Carswell. But when it came time to do Allott a favor, all Allott got was an evasive, dishonest and, in the end, contemptuous refusal."

Can someone who for twenty years was a supporter of Richard Nixon be considered notably "unmalleable"? Are we really being asked to view a man who was "an especially loyal supporter" of Nixon's "dumbest causes" as a Gibraltar of principle? Okay—so chalk it up to Will's loyalty to his friend and benefactor, an example, if you want, of conservatism in life rather than in philosophy. But consider the case of Gordon Allott, as he was and as Will depicts him: a middle-of-the-road Republican politician, with all that implies of years spent in the service of state-corporate capitalism, in the perpetual scramble for boondoggles and tax-funded rip-offs (it would be interesting to have details on exactly how Senator Allott helped bring light technological industry to Colorado). In that dog-eat-dog world of coercion and theft, Allott bound himself to an upwardly-mobile weasel, Richard Nixon; he promoted his liege-lord's ambitions, made a habit of casting aside the judgment of his own mind, and counted on political favors in return.

Thus, despite himself, Will has furnished us with a microcosm of American politics: *this* is what it is all about. And in all of it, where is there the slightest hint of a reason to think that politics is a more honorable way to spend a life than running a brothel?

But Will nonetheless remains confident that the political process must override the voluntary choices of individuals, lest society decay into a festering, putrescent heap. This view is expressed in the column he chooses to place first in the section of his book on "Issues." The piece is on the gay rights movement, specifically the famous 1977 Miami ordinance that propelled Anita Bryant and the whole battle to national attention. In its own way, Will's treatment of this issue is as irresponsible as his casual endorsement, discussed earlier, of energy dictatorship.

Will rejects the Miami ordinance (which established "civil rights" for homosexuals in private employment, housing, and public accommodations), but *not* on the libertarian grounds that such legislation is an infringement of the rights of anti-gays. Naturally, if he did that, then he would have to concede that such legislation is equally unjustified in the case of blacks, Jews, women, etc. Instead, his grounds are that "surely homosexuality is an injury to healthy functioning, a distortion of personality." As such, the preeminent rights of society come into play: "A traditional function of law is to point people toward more human ways of living," Will asserts, "to shore up what the community considers essential values. . . . True, a liberal society considers itself with a minimum of essentials, but surely healthy sexuality is one." (When, by the way, did the word "surely" become in itself an argument?)

Now, Will is aware that purely voluntary homosexual relations between adults is still a criminal offense in about two-thirds of the states. Yet there is not a word in this column suggesting that, while he opposes civil rights legislation for gays, he also favors eliminating laws interfering with such consensual relations (the libertarian position). This has become the standpoint of a number of other conservatives, who now favor a certain amount of liberalization in this area, just so long as homosexuals don't "flaunt" their preferences (i.e., don't act as if they had the same rights as other people have). Will's position is that homosexuality "often reduces sex to the physical" and is "based on brief, barren assignations;" therefore, the law must show society the way, by continuing the systematic denial of equal rights to homosexuals and the police harassment and persecution that are an everyday affair for them.

What Will is offering us is an exemplary case of the *heartlessness* of politics. My guess is that he is not particularly interested in homosexuality, even as a social or moral phenomenon. He has a few opinions on the subject, uninformed, partial, arrogant. But he is wholly incapable of arguing the question at any length. What, for instance, does the fact that homosexual relations are "often" reduced to the physical prove? "Often" they're not; and "often" heterosexual relations aren't on any higher level. Moreover, lesbians in particular "often" cherish an affection for their mates that is rare enough in this loveless world. And yet, unprepared as he is to examine the issue rationally, Will has no qualms about endorsing the whole system of state-enforced social inferiority that has blighted the lives of countless homosexual men and women rather finer than George Will. Here we have a much more accurate model of politics in action than Will's fantasy of "statesmanship" and "soulcraft" — the sideswiping of innocent lives by the state-machine, set in motion by the likes of Will, smug would-be dictators with little understanding of what they are doing, and no real concern.

The ignorance, smugness,

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and superficiality Will displays on the gay rights issue by no means stand alone in his writings; rather, they're endemic to them. Here's a more or less random list, culled both from the present work and from columns not included in it:

He believes that minimum wage laws are a cause of inflation, and writes—in a column that is a paean to the U.S. Department of Agriculture: "American agriculture is one of American government's success stories, the product of energetic development policies." He favors zoning laws because they protect against the depreciation of real estate values, apparently unaware of the case against zoning elaborated by economists and lawyers like Bernard Siegen.

In order at least to slow down our slide toward total self-indulgent solipsism, Will is anxious to conjure up heroes and heroic causes for us. One such heroic cause is, predictably enough, the valiant little David-State in the Middle East, about whose coming into being—that small matter of the displaced Palestinians—he appears to know nothing at all. Just as predictably, *the* great hero turns out to be Winston Churchill. Will thinks that those of us who harbor a strong dislike for Churchill do not do so because he was an imperialist and warmonger, the Butcher of Dresden and the man who helped embroil America in two world wars. Rather, it's because we're (steady now) shabby egalitarians, and so resent Churchill, who was "too vivid—and too excellent—by half."

Sometimes Will's judgments get ludicrously philistine: Eric Severeid, he pompously tells us, "brought a touch of class to print and broadcast journalism" (*Eric Severeid?*). And in the true spirit of *Commentary*-kitsch, he holds that the Holocaust—not even the Nazi atrocities *in general*, including the massacre of Poles, Russians, and others, but the Holocaust—"was not just the central event of the twentieth century, it was the hinge of modern history." Why not the Gulag?

His scorn for untraditional attempts at self-liberation knows no bounds, and in mocking them Will occasionally becomes uncharacteristically cheap. Thus he states of Gletkin, the NKVD interrogator in Koestler's *Darkness at Noon*, that he "is gifted at mind bending—or, as it is known today, 'consciousness raising'—" as if there were no significant difference between a women's group meeting in a flat in Berkeley and a conversation taking place in a cell in Lubianka.

One could go on and on; and it is a desperate thought that we have another thirty-five years of this sort of stuff to look forward to. The fact is that Will has opinions on anything you want to name, and it is his delight (so he has said) to have these various views published in dozens of newspapers and read by thousands or millions of people. But more important than his biased and kitschy opinions is his overall political philosophy. The following is not, I think, an unfair summary of some of its chief features:

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State direction and planning of an economy based on private ownership. The indispensable role of the government in making a place for its nation in the international economy. The head of state as the voice of the national community. Patriotism understood as the healthy instinct to enhance the power and influence of one's own state throughout the world. Disparagement of personal happiness, and glorification of self-sacrifice for higher, state-determined ends. Anxiety at the unhampered workings of the market, which creates a world of constant flux, permits people to do what they want, and thus produces a culture of decadence. Heart-felt contempt for critical intelligence applied to questions of value, and for "rootless" intellectuals, and deep admiration for those trained to believe and obey, for those who love the old ways. As the core principle, subordination of the individual to society.

Now, there is a political philosophy that features all of these ideas, as well as some others. It's called fascism. Oh, I don't mean the nasty, "biological" fascism of the Nazis, or even the operatic fascism of Mussolini, but rather the "classy" French fascism of men like Drieu La Rochelle, Brasillach, and Maurice Bardèche. As one historian of that movement, Robert J. Soucy, has written: "... What preoccupied one French fascist writer after another—and what was one of the most distinctive features of their ideology—was their overwhelming sense of national decadence, their feeling that France was debilitated and weak, that it was sunk in torpor and somnolance ... Like Drieu, most French fascists conceived their revolution to be essentially a spiritual revolution," since they felt that the problem with liberal society is that it "produces human beings who can read but have no morality, who seek comfort and security rather than the heroic life, who are petty individualists rather than members of a community devoted to something greater than themselves."

Am I saying that Will is a fascist? No. But the resemblances are demonstrable—and disquieting, especially when we consider that fascism can be defined as conservatism in crisis. Crisis is what, in all likelihood, we face in the next few years, in a world of government energy "planning," trade-wars, hyperinflation to finance the warfare-welfare state, and collision between those who are determined to live their own lives in their own way and those who will "increasingly" not permit them to do so. When the crunch comes, will George Will discover that, faced with quite analogous problems, some fascists found some very interesting solutions?

Ralph Raico is senior editor of *Inquiry*.

Plus ça change?

JOAN KENNEDY TAYLOR

In Defense of Women, *by H. L. Mencken. Octagon Books, 218 pp., $13.00.*

H. L. MENCKEN WROTE this book in 1918, a few months before the end of World War I, because he thought its subject was a safe one. The newspaper he had worked on for years would no longer print him because of his unpopular views on the Allies and on democracy—another paper for which he wrote briefly was closed by wartime censorship because its sympathies were pro-German. So he amused himself with various projects, one of which was this book on The Woman Question. Some years later, he was to describe the circumstances this way:

> I faced the ... handicap of having an audience of extraordinary antipathy to ideas before me, for I wrote it in war-time, with all foreign markets cut off, and so my only possible customers were Americans. ... Familiar with the risks flowing out of it—and having just had to change the plates of my "Book of Prefaces," a book of purely literary criticism, wholly without political purpose or significance, in order to get it through the mails, I determined to make this brochure upon the woman question extremely *pianissimo* in tone, and to avoid burdening it with any ideas of an unfamiliar and hence illegal nature. ... There is no need to add that my ideational abstinence went unrecognized and unrewarded. ...
>
> In the South, where the suspicion of ideas goes to extraordinary lengths, even for the United States, some of the newspapers actually denounced the book as German propaganda, designed to break down American *morale,* and called upon the Department of Justice to proceed against me for the crime known to American law as "criminal anarchy."

Indeed, evaluations of this book still vary sharply. Charles A. Fecher, in his 1978 book, *Mencken: A Study of His Thoughts*, says,

> [He] could not think of women simply in terms of sex, and this fact in turn may have been the reason for his high opinion of their intelligence. That opinion was so high, in fact, that he wrote a whole book on the subject, and one marvels that today's advocates of "women's liberation" have not resurrected *In Defense of Women*, added it to their canonical scriptures, and spread it abroad in wide quantities.

An anonymous "Editors' Preface" to *Time* Magazine's 1963 paperback reprint of the book, on the other hand, says flatly, "It is quickly apparent that *In Defense of Women* is *not* a defense of women. ... The book, indeed, so abounds with insults to the unfair sex that when it was first published many women, whether conventional or emancipated, *hurled it* across the room."

Poor Mencken. His attacks on human foibles were so cogent, so memorable, and so amusing, that it was often hard to figure out what he *supported*. The same preface to the *Time* reprint edition suggested that the main communication of his writings to many was a deep scorn for American law, American politics, and above all, for American business.

Again and again Mencken drove home this disdain for the elements of American civilization, not only in his books, but in his editing of *The Smart Set* and *The American Mercury*. His influence was immense in the late '20s, especially among the nation's college students. It helped to turn intellectuals against the business community and toward a highly emotional form of politics that substituted for the direct decisions of "average men" the control of central government, which they deemed to be superior in wisdom. Mencken, of course, hated the results. A violent anti-New Dealer, he never understood that he had had an inadvertent hand in setting up the leftward swing of American intellectuals.

What is Mencken's thesis in this book? How can it arouse such differing responses as those quoted above?

Mencken begins by claiming that what is generally known as the maternal instinct is really a feeling of "compassionate irony" toward men on the part of women, who know that intelligence is primarily a woman's trait. Second-rate men are skilled at trivial tasks like bookkeeping, politics, business, and games, which are in great demand; first-rate men and most women are not skilled at this "masculine bag of tricks." What is generally

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THE BETTMAN ARCHIVE

Sara Haardt Mencken and her husband, Henry Louis Mencken, on their wedding day in 1930.

called woman's intuition is another name for clear-seeing intelligence and the ability to separate reality from illusion.

Marriage is not to man's interest; but woman, through her superior intelligence, persuades him that it is, because the feminine attitude, unlike the masculine, is unsentimental. Woman sees clearly that marriage is her best career opportunity, and so she fosters the general delusion that man pursues while woman shrinks. Actually, women settle for the men that are attainable and know that, in general, husbands are second rate and bachelors represent "the unattainable and hence the admirable."

Since bachelors are those who have been skillful enough to avoid marriage, the race is only kept from totally degenerating by the fact that many married women pick bachelors of their acquaintance to father their children. The first-rate man, if he does marry, marries late, when his mental agility declines and the domestic care that marriage offers outweighs its disadvantages; by this time, however, he is less attractive, so generally the wife he finds is inferior.

Why is marriage unattractive to men? Too much intimacy unsexes; routine is boring; women are unsuited for domestic work and are encouraged not to apply themselves to master it because men's sentimentality wants to keep them as "magnificent drones." Changes in the law giving women rights over their own property and forbidding corporal punishment of wives have put husbands in even worse positions, as they must put up with numerous "crimes of omission" and still must support their wives. "If the average American husband wants a sound dinner, he must go to a restaurant to get it, just as if he wants to refresh himself with the society of charming and well-behaved children, he has to go to an orphan asylum."

At first glance, many women are going to feel, with the Editors of *Time*, *some defense. If you have H. L. Mencken for a friend, you don't need an enemy.* He seems to have been primarily engaged in standing conventional wisdom on its head. Women are not less intelligent than men; they are *more* intelligent. Men, not women, have a weakness for "whatever is rhetorical and sentimental and feeble and untrue." Men are romantic, emotional, innocent, and credulous; women, cynical and clear-headed. This difference is most clearly manifested in the War Between Men and Women in which women trap men into marriage.

Such an attitude in turn became conventional wisdom in Hollywood sentimental comedies of the '50s and '60s. Is this the only message that caused this book to go through eleven printings in the United States and to be published in addition in England, France, Germany, and Hungary?

No, this is H. L. Mencken speaking. He had more to say than that. Behind the quotable humorous snippets, is an incisive and accurate observer. For instance, he anticipated Betty Friedan:

> Woman have broken many of their old chains, but they are still enmeshed in a formidable network of man-made taboos and sentimentalities, and it will take them another generation [He was optimistic, in 1918!],

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at least, to get genuine freedom. That this is true is shown by the deep unrest that yet marks the sex, despite its recent progress toward equal rights. It is almost impossible to find a man who honestly wishes that he were a woman, but almost every woman, at some time or other in her life, is gnawed by a regret that she is not a man.

He even anticipated the emergence of Phyllis Schlafly and Maribel (*Total Woman*) Morgan:

Once women have the political power to obtain their just rights, they will begin to lose their old power to obtain special privileges by sentimental appeals. Men, facing them squarely, will consider them anew, not as romantic political and social invalids, to be coddled and caressed, but as free competitors in a harsh world. When that re-consideration gets under way there will be a general overhauling of the relations between the sexes, and some of the fair ones, I suspect, will begin to wonder why they didn't let well enough alone.

Although women have benefitted from some of the changes in their position in society, Mencken claimed, they half believe that they are helpless, and sometimes seek pain and martyrdom. These pathological reactions can be explained by the fact that women lived with "repression and dissimulation," caused primarily by men's holding that they can't think and are not interested in sexual fulfillment—both of which views Mencken saw to be erroneous.

The fact that the business of marriage is woman's primary concern, Mencken argued, is being modified by industrialization, which means that many women can now earn their own livings. The ensuing general reevaluation of the relations between the sexes will be augmented, he believed, because of the shortage of husbands caused by the Great War in Europe (in a later edition, he foresaw instead a series of wars): it may lead to an acceptance of polygamous arrangements, of children born out of wedlock, of prostitution as an occupation, and of marriage contracts in which women give up some of their legal privileges.

Many of these predictions and observations are remarkably prescient. Which is the *real* H. L. Mencken, the observer, or the smart-alec? Does this book allow us in any way to unearth what women meant to him?

I suspect not. We know that he didn't marry until he was almost 50, and that when he announced that he was going to marry 32-year-old Sara Haardt, reporters delighted in trying to embarass him with misogynous quotes on the tendency of the first-rate man to marry late and marry a younger woman, after being "confronted by a choice between getting a wife and hiring a nurse."

But we also know, by unanimous report of all his friends and biographers, that until brought to an abrupt end by Sara's death in 1935, the marriage was unusually happy. And perhaps we can get an inkling of his own final evaluation of this book from the fact that, after her death, he steadfastly refused to allow *In Defense of Women* to be reprinted.

To the contemporary reader, Mencken's humor is undoubtedly more jarring than it seemed to his contemporaries. Mores have changed, and wife-beating, for example, no longer seems amusing. And what of Mencken's concept of woman as more intelligent, as having different mental capabilities which give her a better "apprehension of the larger realities," although a man can "add up a column of figures more accurately"? Social scientists now know that there are *no* innate differences between the sexes, and that Mencken is mistaken when he claims, for instance, that "the best and most intellectual—*i.e.*, most original and enterprising—play-actors are not men, but women, and so are . . . a fair share of the best writers . . . and executants of music."

Or do they? Even here, Mr. Mencken may not be as dated as one might think. An article in the November 1978 issue of *Psychology Today*, by Daniel Goleman, entitled "Special Abilities of the Sexes: Do They Begin in the Brain?" says, "Now a new breed of researchers —many of them women— are [sic] taking a second look at the biological substrates of behavior and reaching some different conclusions. While acknowledging that a vast range of sex differences reflects social influences, they also assert that the neurological constitutions of men and women lead them to think and behave in different ways." For instance, they are finding that boys excel in mathematical skills, while girls have greater verbal ability, and do better on tests of fluency and verbal comprehension.

No sensible man, said Mencken, would fail to consult his wife about problems that involve evaluating people, such as "taking a partner into his business, or about running for public office, or about combatting a blackmailer, or about marrying off their daughter." Now Mr. Goleman supports that position with scientific studies showing that women are indeed better than men at "reading or understanding a person's behavior from his or her facial expression, body language, and words." They also turn out to be more interested in people, more attentive as infants to sounds and their emotional meaning, and more socially responsive and empathetic. The article even goes so far as to suggest that women are better performers and writers than men are, just as Mencken hypothesized.

So the Sage of Baltimore turns out, once again, to be wiser than he may at first look. One could wish it were otherwise; that this book had no relevance to the condition of women today; that Mencken's humor was unintelligible to a modern audience. Has there been that little real change in the status of women in sixty years?

One final quotation, and a final caveat. Mencken is explaining why marriage is important to women.

Again, marriage offers her the only safe opportunity, considering the levantine view of women as property which Christianity preserved in our civilization, to obtain gratification for that powerful complex of instincts which we call the sexual, and, in particular, for the instinct of maternity. The woman who has not had a child remains incomplete, ill at ease, and more than a little ridiculous. She is in the position of a man who has never stood in battle; she has missed the most colossal experience of her sex.

Here, Mencken *is* dated. Unless both women and men are willing to give up such evaluations of experience, there is no real future for the world. We are entering a time in which we simply cannot afford for every woman to have a child any more than we can afford for every man to stand in battle. To say that every *person* psychologically needs to risk everything, perhaps even his or her life, in defending and creating values is a romantic ideal that is still meaningful—to destroy our world by overpopulating it or continuing to wage war is a suicidal indulgence. If all that the Woman's Movement has done is to call to our attention and attempt to transcend these particular sexual stereotypes, then indeed, if the Movement had not existed, it would have had to be invented.

Joan Kennedy Taylor is senior editor of LR.

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First lady of tyranny

DAVID HART

Evita, First Lady: A Biography of Eva Peron, *by John Barnes. Grove Press, 208 pp., $8.95.*

JUAN MANUEL DE ROsas, the creator of the first South American secret police, the man who first forged a semblance of unification from the quarrelling provinces of Argentina, and the butcher who drove thousands of Indians from their land by slaughtering them, described his success in holding onto power thusly:

> I know and respect the talents of many of the men who governed this country. . . . But it seems to me that all committed a grave error; they governed very well for the cultured people but scorned the lower classes, the people of the fields, who were the men of action. I believe *it is important to establish a major influence over this class to contain it and direct it,* and I have acquired this influence. I am a gaucho among gauchos. I talk as they do. I protect them. I am their attorney. I care for their interests.

This was also the strategy of the Perons. They were able to rule Argentina by buying the support of millions of poor, working class people who had legitimate grievances against the stagnant, near-feudal status quo, with its baronial land ownership, its poverty, its cruelly low wages in a land of considerable wealth. These were the reasons why the millions of descamisaderos, the shirtless ones, were willing to follow the Perons. The Perons were the only people promising any relief in Argentina, and their clever manipulation of the people brought them loyalty.

In a land where an aristocratic elite had a virtual state-granted monopoly of land ownership, it was not surprising that the peasants would support anyone who promised them land. Indeed, time and time again throughout the Third World, it is the legacy of feudalism, and the failure of the radical classical liberal movements of the 17th, 18th and 19th centuries to bring their revolutions to the Third World, which sets the stage for modern despotisms in the name of "social welfare." When the classical liberal movement died at the end of the 19th and beginning of the 20th centuries, the oppressed classes in Latin America and elsewhere turned to others who promised reform and fundamental change.

In the 20th century, Argentinians turned to Juan and Evita Peron. They had reason to seek fundamental change, for the legacy of feudalism and colonialism was strangling them. In the province of Buenos Aires, 15 families owned one million acres of land each, land granted to them by the State; another 50 families owned 50,000 acres each. In Argentina itself, two thousand landlords owned the richest fifth of the land. Seventy percent of the farms in Argentina were worked by sharecroppers who were forced to pay over fifty percent of their income as feudal "rent."

The Argentinian people were also the victims of quite ruthless exploitation by the colonialist powers of Europe. The British had a particularly strong hold on the economy, controlling through political means two thirds of all foreign investment, the public utilities, meat packing, shipping, banking, insurance and the railways. A perfect example of the power and privilege of the British colonialists—and how they exercised it—is the forced closing of private bus companies in Buenos Aires in 1933 for the simple reason that they competed with the British-owned transport facilities.

The Perons promised to end these feudalist and colonialist abuses, and won the 1946 election with overwhelming support from the peasants and working classes. These gullible people turned a blind eye to the Perons' Jew-baiting, to their harassment of the opposition, and to the more than 100 murders committed during the election campaign. They voted for Peron because he had aligned himself with them, the descamisaderos.

The rise of Evita Peron

The story of Evita Peron is one of relentless opportunism in the pursuit of power and prestige. Born an "illegitimate child" in 1919, she climbed her way to the top by carefully selecting her sleeping partners. She attached herself to anyone who could advance her career—until a more powerful colonel or general came her way. After the June 1943 military coup, she advanced her career as a two-bit soap commercial "actress" by sleeping with President Pedro Ramirez, followed by the Minister of Communications, Colonel Anibal Imbert—who considerably increased her income at the radio station where she worked—and then moved on to the real power behind the scenes: Juan Domingo Peron, the Colonel who had been Undersecretary of the War Ministry and the Secretary of the officers' group which had staged the coup. No one thought Eva to be anything other than a terrible actress, yet she continued to be employed because of her closeness to the seats of power: film studios could, through her, acquire the film, gasoline and tires which were important to their work but were strictly rationed.

Bad actress though she was, Eva had an indispensable role in Peron's administration. She convinced him that a hitherto untapped constituency could keep them in power, people whom she diligently pursued, manipulated and converted to the Peron cause. She gave them minimum wages and improved living conditions; she gave wage increases to white collar workers, shop assistants and factory hands. She gave them four-week holidays, sick leave, protection from arbitrary dismissal, and an extra one-month's wage bonus at Christmas, and created fiercely pro-Peron unions under the CGT—the General Confederation of Labor—to convince the workers that the new Peronist ruling class was their friend and protector. But in fact the Perons had a sophisticated philosophy of how to exploit the very workers they were supposed to be defending.

The Perons thought the older conservative ruling classes had made the mistake of trying to take too much. Juan and Eva would not make that mistake. They gave to the workers and the impoverished with one hand, to win their support. With the other hand they bled the country dry.

Typical of their success in winning loyalty was the case of Saturnio Astorga, who related to *Newsweek* why, in spite of obvious corruption, repression and fascism on the part of the Perons, he would always remain faithful to the memory of Evita:

> When I got married in 1948, my wife and I were so poor that a sip of milk was a luxury. We couldn't spare a few pence each month for a bus ride to visit her parents. Then came the Perons. Evita gave me this house. My salary jumped fivefold. We lived like people. Thanks to the Perons, [I] was able to buy furniture and a refrigerator, [my] sons went to government-built schools and ate cheap lunches at government-subsidized cafeterias, [my] family enjoyed a fifteen-day paid holiday, and [my] medical bills were paid by the state. None of

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the politicians who have followed Peron have done anything for me. I am 100 percent Peronista, and always will be.

As one might infer from this welfare-state bribery of some classes to gain their support, Peron took as one of his models none other than Mussolini, claiming that "Mussolini was the greatest man of this century. But he committed certain mistakes. I, who have the advantage of his precedent before me, shall follow in his footsteps but also avoid his mistakes."

His other model was the British empire, and the following statement of his—wherein he also defended the corruption of his wife's brother—makes one wonder about his actual motives in opposing British investment in and political control of the Argentina economy: "The British Empire was built by good men and pirates, and I'm going to build the Argentine empire with good men and pirates."

As long as Peron controlled the army, which he did by appointing an entire new class of junior officers who were loyal to him for their positions, and as long as his wife controlled the media, he could ignore the traditional power elites because he had the millions of descamisaderos at his side who would march in the streets if his power were threatened.

Evita was a skilled manipulator. She would meet with hundreds of descamisaderos in her office, listen to their grievances, and give them presents of money or promise to right particular wrongs for them. But she was even more skilled in her control of the press, the radio and the pro-Peron unions.

The government forced all local radio stations throughout the country to transmit her evening fireside chats. She owned or controlled the four principal radio stations in Buenos Aires and was able to censor the news in thirty-three other stations throughout the nation. She also owned two large Buenos Aires daily newspapers which always ran stories about her, and continually kept her picture on page one. Barnes describes her power over the media thusly:

> . . . her control of radio stations and newspapers, her presence permeated every town and home in Argentina. There was no escape. Her picture dominated the hoardings. Her thoughts were broadcast every few hours throughout the day on nationwide radio. Her name graced the country's largest gas works and its biggest passenger liner . . . [and] a new downtown Buenos Aires underground station, where the words "Eva Peron" were bordered with light and her portrait in colored tile gazed on all passersby.

By 1951 the control was more complete: nearly one hundred newspapers which had failed to conform to her whim were closed. "Shortages" of newsprint, "excessive noise," "blocking traffic" and "insufficient first aid facilities" closed many opposition papers which dared challenge the myth of Eva Peron.

Student opposition was also crushed ruthlessly. By

"The Perons were able to rule Argentina for nearly a decade by cynically buying the support of millions of poor, working class people who had grievances against the status quo."

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October 1954, four thousand political prisoners were being held in the Villa Devoto Prison, on Martin Garcia island, in Neuquen prison and even in requisitioned private homes in the suburbs. Peron eventually nationalized the six universities and outlawed student political activity completely. Thousands of other opponents either disappeared or fled the country. Opposition trade unionists who refused to join the Peronist CGT were sent to concentration camps in Patagonia.

In fact it was not until the economy was nearly in ruins as a result of their policies that the Perons lost much of their labor support. Until that day, Eva's control of the Ministry of Labor and Social Welfare, and her pay increases by decree won over the majority of the organized workers. Five million out of a total of seven million organized workers had joined the CGT. And political control was even extended to the telephone system, which they said

> may not be abandoned to the thoughtless or irresponsible. Employing the telephone to insult or offend is a crime which deserves punishment by justice. The long arm of the law and the Department of Posts and Telegraphs watch over the use of the telephone, that its noble and social purpose should not be misused. Such irresponsible criminals will be punished.

Confusion of their opponents

Peron's opponents were confused because his brand of authoritarian rule was new to the South American continent. He was not a run-of-the-mill strongman, at least while Eva was alive and running things. Looking back on the years of rule by the General and his wife, an opponent recalls that

> On this continent we are accustomed to the dictator-type of rulers—arrogant strongmen. It is a woeful tradition. But this man Peron, he was a dictator of a different type. He was subtle, devious, charming. He did not come out in the open and crack skulls. He did his work silently and cynically. You see, there was so little we could put our hands on—everything he did was in the name of democracy and social betterment—and yet we sensed the smell of evil in the air, and the thin edge on which we walked.

In fact, corruption and exploitation were everywhere. Eva's supreme creation, used to exploit the workers in the name of their own welfare—much like the American Social Security System, in fact—was the Social Aid Foundation. Barnes describes it as "the most gigantic protection racket-cum-slush fund the world had ever seen." Its purpose was to compete with the high society charities which had turned their backs on the illegitimate Eva and refused her entrance to their circle when she first came to power.

The Foundation's income grew to fifty million pounds per year and eventually became the country's largest enterprise. It was funded by "voluntary" contributions from all members of Argentinian society. It took one percent of all the wage increases Eva had granted; unions contributed money from their own funds; twenty percent of the state lottery went into its coffers; and companies were blackmailed by government inspectors into contributing—and if they refused to do so, judges would give part of the imposed fine to the Foundation. The Foundation's function was to build schools, hospitals, nursing schools, and to give foreign aid to Israel and to Washington—much to their embarassment—while providing an unobtrusive means of funneling millions into Evita's private bank account. When asked why she did not keep accounts of the Foundation's contributions, Eva said merely that "Keeping books on charity is capitalistic nonsense. I just use the money for the poor. I can't stop to count it."

Naturally, because of this, it is impossible to estimate how much she and her husband stole from the Foundation in the name of "charity." One Swiss account that was discovered in her name held more than six million pounds in cash and jewelry. When Peron was finally ousted in 1955, an inspection of his property revealed "Eva's breathtaking and priceless collection of jewelry, his 16 custom built sports cars of every foreign make, his . . . cupboards crammed with hundreds of suits and uniforms. Police said they found five million pounds in cash in various safes in the two Presidential mansions, the San Vicente [holiday home] and two apartments, one of them a lovenest with bedrooms lined with mirrors and carpeted with white bearskin rugs."

Eva's family also made a handsome profit from her years in power. She had appointed her brother as Peron's private secretary in order to control who had access to the President; he retired with a fortune of twelve million pounds. Not bad for a twelve pound a month salesman. Her mother's boy friend was made Minister of Communications; her elder sister Elisa was given political control of the town of Junin where Eva grew up; Elisa's husband was elected to the Senate; another sister's husband was made Governor of Buenos Aires province and a member of the Supreme Court; another relative, who had been an elevator operator in the Hotel at Junin, was made Director of Federal Customs. It is as though Billy Carter had been appointed Secretary of Health, Education and Welfare, and Miss Lillian to the U.S. Supreme Court.

When Eva died, cracks had begun to appear in the edifice she and her husband had created. They had spent the considerable wealth that Argentina had accumulated during the war and immediately afterwards from beef and grain sales to Europe and the U.S. In 1945 Argentina had billions in foreign exchange, a gold backing of one-and-a-half pesos and a exchange rate of four pesos to the U.S. dollar. At the end of the Peron reign, they had spent all the foreign reserves and had so inflated the pesos that it now exchanged at sixteen to the dollar. Beef shortages and the need to import grain revealed how they had wrecked the strong Argentinian economy. Living standards had declined to the levels of the years before the military coup, the military had grown weary of taking orders from a "mere woman," and Eva's illness—cancer of the uterus—had weakened Juan Peron's hold over the country.

But the myth was still very strong when she died in 1952. Millions went to see her lying in state, her autobiography was made a school textbook, monuments were planned to commemorate her life, and a national day of remembrance was decreed. Thousands were injured in the hysteria of the period of mourning. The Post Office promised that only stamps with her face on them would be sold for the next twelve months, and Peronista Party officials were instructed to wear a black tie of mourning at official functions for the rest of their lives.

Without Eva beside him, Peron had a less than secure hold on the reins of power. He resorted to the traditional strongman tactics of control and repression. He lacked the sophistication of his wife and was eventually forced out of office and had to seek refuge in the only

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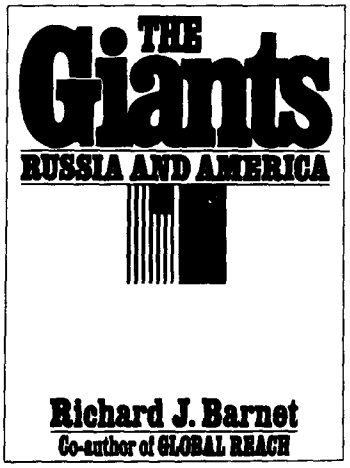

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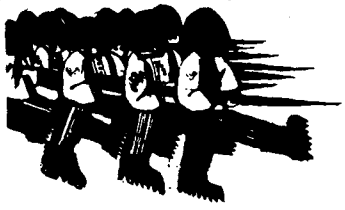

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havens of fascism that still remained—in Paraguay, Somoza's Nicaragua, Venezuela, Trujillo's Dominican Republic, and finally Franco's Spain.

The tragedy of the Peron phenomenon is that a traditional parasitical ruling elite cloaked its desire for power and wealth behind the rhetoric of "social justice" for the poor and the dispossessed. Eva Peron perceptively used the descamisaderos' grievances for land, jobs and improved living conditions, the end of foreign colonial domination of the country, and their desperate need to find someone who cared about their suffering, to line the pockets of her husband and family. Of course there was *no* endless source of funds that she could draw upon to finance her "Social Aid Foundation," and when she had bankrupted the country, Peron had to resort to the tried and true methods of dictatorship.

The myth of Eva Peron still survived because the masses of the people remain ignorant of the free market and the necessary restraints that this places on economic development. One cannot create prosperity out of thin air. The lesson for libertarians is that in the Third World, unless they promise radical and fundamental changes in the political systems which oppress people, unless they promise radical land reform based on their entitlement theory of justice in ownership, the end to imperialist and colonialist control and exploitation through the end of state-granted privileges, the end of conservative control of politics and the economy, and the freeing of the economy to permit open access to jobs, investments and land, then the libertarian appeal will fall on deaf ears. Because the classical liberal revolutions did not touch these countries, these are very real issues, the issues which fire the peasants, and if the libertarians do not make their case for radical private property and the free market, then the people of the Third World will instead turn to whoever does promise them change and reform, whether of the left or right, in their desperate effort to improve their own lives, lives made so miserable by the legacy of parasitic governments across the globe.

David Hart, of the history department of Macquarie University in Sydney, Australia, writes frequently for LR.

Juggernaut's pilots

JACK SHAFER

The Powers That Be: Processes of Ruling Class Domination in America, *by G. William Domhoff. Random House, 206 pp., $10.00.*

IN DAYS OF YORE IT IS said that Hindu devotees of Juggernaut (also known as Vishnu) would dive under the wheels of a wagon laden with an idol representing Him and be steamrollered flat in sacrifice. Those who suggested that a good number of the devotees were pushed by priests were labeled heretics and offered to the wheels of Juggernaut. Today a slightly different Juggernaut (also known as the State) steamrollers devotees and those who cannot escape the clutches of the priests of State. But then as now the greatest heresy is contained in this innocent question: Who pilots Juggernaut's wagon?

G. William Domhoff dares that heresy. He believes that the United States is politically dominated by a ruling class composed of the richest 0.5 percent of the population. Power is wielded in terms of Marxian class-hegemony; the ruling

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class, owners and managers of the major businesses, are pitted against the working class, owners of no income producing property. Fortunately, Domhoff is no cookbook Marxist, for if he were, *The Powers That Be* would be predictably dull. Skip to this tome's subtitle, *Processes of Ruling Class Domination in America* and concentrate on the first word, *processes*. This book is about *how* the ruling class manifests its will and Domhoff breaks it down to four *processes*: Special-Interest, Policy-Formation, Candidate-Selection, and Ideology.

The leadership of the ruling class or power elite (a concept Domhoff borrows from the work of C. Wright Mills) is comprised of the ambitious, upwardly mobile leaders from the military, academe, and business (e.g. Robert McNamara) and the involved members of the ruling class itself (e.g. David Rockefeller). Domhoff's eclectic class-hegemony thus defies pluralism, the prevailing theory of power in the social sciences. The pluralists hold that the State evolves policy by way of a free-for-all scrimmage among a myriad of special-interests. They put the original emphasis on *processes*, insisting on " . . . shifting coalitions of interest groups on specific issues as the key to understanding power . . ." and maintain that the special interests of labor, capital, minorities, farmers, environmentalists, et al., contribute to the policy-formation process.

Though Domhoff prefers the yardstick of *outcomes* as opposed to *processes* to determine who rules, with *The Powers That Be* he has abandoned this predilection and picked up the pluralist gauntlet. "You want processes?", Domhoff seems to be saying, "I'll give you processes!"

Warming up on the special-interests process, Domhoff concedes that his ruling-class domination theory runs into trouble when applied to the legislatures, regulatory agencies, cabinet departments, and legislative committees. Run rife with lobbyists, superlawyers, trade and advisory associations, the special-interest process maps easily onto the pluralist model. Power *is* spread widely across this facet of the State, allowing access to everybody. Besides, the pluralists say, the giants of industry battle one another for government contracts, subsidies, and procedural rulings in their favor. What sort of class-hegemony is that? Domhoff counters that all of the inter-ruling-class conflict is on specific rather than general grounds and if you look at the over-all picture you will see business, medicine, law, and agriculture divided from unions, minorities, and middle-level liberal organizations just as class-hegemony theory predicts. Domhoff also argues that the bribes, influence peddling, gifts, and promises of jobs in industry which make the wheels of Juggernaut spin favor the money muscle of the ruling class. The piddling gains won by the working class in the special-interest process exert almost no influence on the big-league policy issues of foreign aid, fiscal matters, population, welfare, and the environment.

The larger long-term issues are dealt with in the policy-formation process. This section constitutes almost one third of the book and is Domhoff's bread and butter. The passwords in policy formation are "national interest," "nonpartisan," and "objectivity." In policy-discussion groups the power elite cultivate this image of impartiality while they converge on consensus opinions about the general issues to suit their interests. Unlike the special-interest groups which are staffed by the lower echelon of the power elite, the policy-formation group members come from the wealthiest families, the boards of the most powerful corporations and banks, the most prestigious law firms and universities, and the highest ranks of journalism. It is in the off-the-record meetings, luncheons, and seminars where the power elite assemble and iron out differences that Domhoff believes ruling-class consciousness is developed.

The conspiratorial right's old nemesis, the Council on Foreign Relations (CFR), figures highly in the study of the policy-formation process. Members of the CFR include financiers, executives, and lawyers from the biggest of the big businesses, and a substantial number of journalists and academicians. Focusing on foreign affairs, members meet with experts in an attempt to resolve issues of the day. Often the discussions lead to the formation of study groups led by scholars and arrive at a formal statement. One such study ended in the publication of *Nuclear Weapons and Foreign Policy* in 1958 by Dr. Henry Kissinger. Domhoff finds study groups like Kissinger's at the roots of foreign policy initiatives such as the decision to back Vietnam to the hilt, the reversal of U.S.-China policy, and the invention of the International Monetary Fund, the World Bank, and the United Nations.

The CFR, strongly interlocked on directorial and executive levels with the Ford, Rockefeller, and Carnegie Foundations, depends on these bastions of wealth for its financial lifeblood. The CFR interlocks with the government, too. A 1971 CFR report bragged that "Over a third of the Council's 1500 members have been called on by the government during the last 20 years to undertake official responsibilities." I doubt if any of them went kicking and screaming. If the CFR is, as Joseph Kraft has admiringly referred to it, a "School For Statesmen," we should profit by asking exactly what lessons of statecraft it teaches and applies to the running of the American state.

Domhoff traces the step-by-step process by which a CFR lesson became United States foreign policy. When WW II broke out in 1939 the leaders of the CFR went through the well established lines of communication it had with the State Department to gain quick official support for a CFR study of both war aims and postwar policy for the United States. Dubbed the War and Peace Studies Project and financed by Rockefeller Fund grants, the study recruited the power elite of the era and divided the task between five groups, Economic and Financial, Political, Armaments, Territorial, and Peace Aims. Long before Pearl Harbor jingoed the United States into the war, the War and Peace group was urging President Roosevelt to apply the Monroe Doctrine to Greenland and promoting the trade of fifty destroyers to Great Britain for naval bases on British possessions.

By the fall of 1940 the War and Peace group had posited a "Grand Area" of the Western Hemisphere, Far East, the United Kingdom, and most of the non-German world territory in which American dominance should hold sway. The Economic and Financial group concluded that the American economy (read Empire) must link with the British Empire, Asia, and South America if it intended to avoid trade imbalances, shortages of raw materials, and a lack of markets for its goods. America should rearm, oppose Japanese expansion, and don a more international face in order to

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bring the Grand Area under control and provide a solid core for the future health and growth of the American economy.

By 1942 the advisory status of the War and Peace group was all but abandoned. The State Department adopted the group's study structure; Council members sat on important postwar planning committees; and CFR policy had been effectively merged into official foreign policy. Domhoff writes, "The council defined the national interest in terms of economic expansion, and then formulated the policies which the government later implemented to realize that vision. If the quintessence of class domination is the ability to translate class interest into the national purpose, then the role of the Council on Foreign Relations in shaping the postwar world reveals class domination in week-by-week detail."

Domhoff groups the CFR with the Committee for Economic Development (CED), the Conference Board, Business Council, and Business Roundtable in what he calls the moderates of the policy network. Lying on the other side of the fault-line of the New Deal which Domhoff says split the power elite are the ultraconservatives of the policy network—the National Association of Manufacturers (NAM), the Chamber of Commerce, the American Enterprise Institute (AEI), and the American Security Council (ASC). Cleaved on almost perfect Yankee–Cowboy lines, the moderates are mostly Eastern, old money, internationalist in foreign policy, and big big-business, while the ultraconservatives tend toward the Sunbelt, newer money, isolationism, and small big-business. Domhoff says the differences between the moderates and ultraconservatives have declined since the early 1960s, though they remain at violent odds over the question of unions.

Detractors of ruling-class theory point to the conflict between the moderates and ultraconservatives. Both groups represent monied interests and all this squabbling they engage in hardly refines class consciousness. So what gives?

Domhoff's overview of processes puts the CFR-CED moderates at the high post of policy implementation. If the moderates decide to defuse radical change on the left they enlist labor, liberals, and minorities on behalf of their policies. If, on the other hand, the CFR-CED moderates desire to forestall any change they opt out of the dialogue and let the NAM-AEI ultraconservatives destroy the popular agents of change. He doesn't claim that this model is all inclusive, but does maintain that for the major issues of our era, foreign aid, welfare, civil rights, etc., his model is accurate. According to Domhoff,

> Pluralists like to point out that social security, health care legislation and other measures signify an important improvement in living conditions for a great many people. While this is true to some extent, the proof of the pudding in terms of power is the ability to maintain the class system that sustains ruling class privileges and prerogatives. On this score, the ruling class has done very well within the general policy area.

But at whose expense?

Domhoff's usual emphasis on *outcomes* is waived here as the moderates crush the ultraconservatives in the field of policy implementation. How can the ultraconservatives be counted as part of the ruling class if they are constantly overruled by the moderates?

I think Domhoff's error can be found in the rigid class-hegemony construct he uses to define the ruling class. It is not necessary to invoke Marx to see that the United States, or any State for that matter, is ruling-class dominated. Wherever there is a State there is a group of individuals that holds the reins of State power. *Those individuals* are the ruling class and *everybody else* belongs to the ruled class. The real ruling class cannot be separated from the State; masked as the broker of a social contract nobody ever signed, the ruling class/State mobilizes what Franz Oppenheimer called the "political means" to acquire wealth. Domhoff fails to see that the social security, health care legislation, and other so-called progressive legislation only tightens the ruling class/State's hammerlock on the ruled class. Every new tax diminishes the ruled class's ability to rule its pocketbooks—compulsory education legislation transfers the rule over one's own education to the State—morals laws grant rule over one's own body to the State. Not once does Domhoff even hint that the source of ruling class domination *is* the State. Though he may be on the right track in identifying the moderates of the CFR-CED axis as the kingpins of political power, there can be no equivocation about this point: If you want less ruling class domination, you must have less State.

Because government is about detail and policy is about ideas it is important to note the source of the policy-formation group's ideas—think tanks. The major think tanks, the RAND Corporation, the Stanford Research Institute, the Brookings Institute, etc., are all heavily interlocked with the big foundations, policy groups, and major banks and businesses by common funding and common directors. A steady flow of information and personnel pulses back and forth

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between the think tanks and their allied organizations. The "court intellectual" is recruited, trained, and made a loyal member of the power elite by means of access to power and privilege in this process.

Presidential commissions are revealed as part of the process which makes private policy into public, official policy. Of the fifteen commissions on foreign and military policy between 1954 and 1972 twelve were headed by a member of the CFR—two others were headed by CED trustees. Relying on the findings of the think tanks and policy-formation groups, the presidential commissions generally rubber-stamp the earlier ruling class positions and sell the new policies to the public. By assigning women, ethnics, and labor representatives to the presidential commissions the ruling class appeases the pluralist sensibility and makes the findings more credible.

"G. William Domhoff believes that the United States is politically dominated by a ruling class composed of the wealthiest 0.5 percent of the population."

The pluralists also point to the inclusion of the varied special-interests in electoral politics as evidence to support their theory of power. Domhoff demolishes the pluralists on this count, proving that the candidate-selection process is the slave of the policy process. American two-party politics, an anomaly among democratic states, discourages principles, policy discussion, and political discussion and relies instead on "image building, name calling and gossip" to win votes. Domhoff quotes political scientist Theodore J. Lowi: "Majorities produced by the American two-party system are simply numerical majorities; they usually have no political content whatsoever." In this light America's third party, the Libertarian Party, stands out. Long on principle, policy discussion, and political education, the LP is capable of reinfusing political content back into the candidate-selection process.

Domhoff closes his book with a brief look at what he calls the ideology process in which the ruling class propagandizes the masses. Exactly what ideology does Domhoff's ruling class promote? His assertion that the ruling class disseminates an ideology whose "underlying principles are called laissez-faire liberalism" which have "enjoyed a near-monopoly of American political thought since at least the beginnings of the republic" reads like a poke in the eye. When was the last time you heard David Rockefeller toe the laissez-faire line? Which side of the ideological fence did the major California banks sit on during the Proposition 13 debate? Answers: Never, and on the pro-State, pro-tax, anti laissez-faire side of the fence, respectively.

Ruling class ideology veers toward the mixed economy, big business-big government bag, with a strong accent on interventionist foreign policy. Domhoff shows how the Marshall Plan, born in the CFR's War and Peace project, was sold to the American public. Truman's 1947 Committee on Foreign Aid, chaired by ruling class pinion W. Averell Harriman, made official the old CFR suggestion to stabilize the Grand Area. The private Committee for the Marshall Plan, chaired by another ruling class regular, Henry L. Stimson, was assigned to retail the Plan to the public. Regional Committees were set up, a media campaign started, petitions in every congressional district circulated, and positive congressional testimony prepared.

Subject to Domhoff's scrutiny is the Advertising Council. Established during WW II to sell the war, it now places $460-million worth of free advertising each year. Though most of its ads are of the innocent "Smokey the Bear" variety, Domhoff finds much ideological bias in favor of the big businesses which control the advisory committees of the Ad Council. Various Ad Council campaigns pinned the blame for pollution ("People start pollution, people can stop it"), and the energy crisis ("Don't be fuelish") on individuals rather than corporations or government. Domhoff especially damns the mid-70s series of Ad Council advertisements which attempted to teach economics via billboards, television, and magazines.

Elsewhere in the ideology network, corporations answer critics' complaints about corporate products and practices with empty institutional advertising of the "There's a lot of good chemistry between us"-DuPont ilk.

The Powers That Be bills itself as an interpretive theoretical essay. Readers looking for Domhoff to name individuals, organizations, and corporations can refer to his earlier works, *The Bohemian Grove and Other Retreats, Who Rules America?*, and *The Higher Circles*. As valuable as those works are in determining the identity of the ruling class, this new book surpasses them by laying bare part of the method by which the ruling class fuses itself to the State. *The Powers That Be* is not going to give Juggernaut a flat tire, but with its publication the identity of Juggernaut's pilot is less anonymous and the machinery which powers the wagon's wheels is much more visible.

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Exposing the emperor

MICHAEL GROSSBERG

Agents of Chaos, *by Norman Spinrad. Popular Library, 222 pp., $1.50.*

IN 1973, INSPIRED BY Norman Spinrad's 1967 science fiction novel, Rex Weiner and ten other anarchistic, free-enterprising entrepreneurs formed Agents of Pie-Kill, Unlimited. For a fee, they threw pies at the victims of their customers' choice, exploding the pretensions of such deserving public figures as Guru Maharaj-ji, the psychic Peter Hurkos, and the Reverend Ike. *Time* called it "the biggest fad since streaking."

But it was more than a fad. It was a first glimmering of the knowledge that the emperor wears no clothes, that one way to undermine authority is to destroy its legitimacy. More than six hundred pies later, in his introduction to the new edition of *Agents of Chaos*, Weiner explains: "Can you imagine that Attila the Hun, Napoleon, Stalin, Hitler, Idi Amin, or Richard Nixon could have for a minute continued their infamous careers had they tasted the full cosmic flavor of a well-timed lemon meringue pie?"

In Spinrad's 24th century dystopia, there are no lemon meringue pies, but there is the Brotherhood of Assas-

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sins. Their goal is freedom. Their method is Chaos.

Contrary to the still-popular cliche which equates anarchy with disorder, contemporary libertarians understand that government produces chaos while freedom creates order. We know that those socioeconomic relationships which are "the result of human action but not of human design," what Hayek identifies as a spontaneous order, is a rational order.

But less enlightened ages have intuited this phenomenon in the context of mysticism, through falsely literalized metaphors. Lao Tsu's age mystified it as the Tao; Adam Smith's age mystified it as the Invisible Hand. Spinrad's genius is to imagine a future age in which freedom is mystified by the Brotherhood's occult pseudoscience into a religion of Chaos.

The antipode of Chaos, naturally enough, is Order, the self-legitimizing ideology of the Hegemony of Sol. The Hegemony is a technocratic dictatorship imprisoning mankind in domed cities from Mercury to Pluto, where "Anything not Permitted is Prohibited."

In an ironic inversion of a free society's justice system, the Hegemonic Code lists only those few Permitted Actions which are *legal* for the constantly watched and carefully supervised Wards of the State, while the Preamble to the Revised Hegemonic Constitution affirms "Better a million wards shall perish than one Unpermitted Act go unpunished." All Unpermitted Acts are crimes, instantly punished by radiation death beamed from the omnipresent Eyes of the Hegemony's Master Guardian computer.

In three centuries, the totalitarian Hegemony has wiped out such messy, inconveniently unpredictable phenomena as war, hunger, disease — and freedom. Spinrad's apparent assumption that a high level of technology, prosperity, and efficiency can coexist with tyranny may detract from his story's verisimilitude, but, conceding his fictional premise, one can agree that in such a universe the way to oppose tyranny might very well be to attack "Order."

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Yet to the mysterious Brotherhood, Order inheres also in the Hegemony's prime antagonist: the Democratic League, a small band of idealistic but ineffectual dissidents who use sabotage and guerrilla tactics to fight for a "democratic" alternative to the authoritarian Hegemony, but who no longer have any notion of what that alternative might be. They use the word "freedom," but its meaning has been lost.

Thus the League battles to destroy the Hegemony, the Hegemony battles to destroy the League, while the Brotherhood of Assassins paradoxically works for freedom by engaging in chaotic acts of violence that randomly undercut the efforts of both groups.

The paradox is rather obscurely "illuminated" by the Brotherhood's prophet, Gregor Markowitz: "The enemy of Order is Chaos, But the enemy of Order is also the enemy of Chaos." Markowitz, one of Spinrad's most creative literary inventions, is a brilliant parody of those twentieth century pseudoscientists who have misapplied the methodology and concepts of modern physics to the social sciences.

The Brotherhood's Bible, quoted extensively throughout the story, is Markowitz's *Theory of Social Entropy*. "Every Social Conflict is the arena for three mutually antagonistic forces: the Establishment, the opposition which seeks to overthrow the existing Order and replace it with one of its own, and the tendency towards increased Social Entropy which all Social Conflict engenders."

This hash of hip Hegelianism, scientism, Zen mysticism and Governor Jerry Brown goes a long way to explain why *Agents of Chaos* has become the nucleus of an underground cult for assorted social outcasts, numbering among them not only zany pie-throwing absurdists, but also leftwing radicals, convicts, and anarchists.

Certainly, if there's one thing the libertarian movement doesn't need, it's another cult novel. Nevertheless, *Agents of Chaos* can be, and probably will be, read as a libertarian parable. Just imagine the Hegemony as the American welfare/warfare State, the Democratic League as the Libertarian Party, and the Brotherhood as those anarchists who oppose both government and politics.

Spinrad's unintended message would seem to be, then, that by institutionalizing their own political hierarchy to reform the State, libertarians have made the LP vulnerable to the danger of becoming the power Establishment's mirror image.

Agents of Chaos, is an astonishingly coherent and concise work, almost romantic in its surprise ending. It should be read, ultimately, not because of its cult appeal, but despite it.

Michael Grossberg is a compulsive reader of science fiction when he is not busy chairing the Libertarian Party of Texas.

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The joy of philosophy

TIBOR R. MACHAN

Aristotle for Everybody, *by Mortimer J. Adler, Macmillan, 206 pp., $8.95.*

PUBLIC ATTENTION IS rarely focused on the content of philosophical studies. Most technical or academic philosophical works are written strictly for fellow professionals, and this is a pity, especially in our times. It has left the proper philosophical concerns of ordinary human beings for pop thinkers to attend to. Popularizers tend not to be careful enough to develop sound philosophical positions, instead extrapolating the findings of other, narrower fields of study in an effort to reach philosophical understanding. Naive renditions of behaviorist psychology take what may be true about pigeons or rats and sell this as fundamental truth about human beings as well. Or popularized versions of findings about small-group behavior claim that all behavior in human groups conforms to the small-group example.

Perhaps such pop thinking proliferates because in our day philosophy, the field that aims at general truth, has few practitioners concerned with general understanding. An exception is to be found in Mortimer J. Adler, chairman of Britannica's Board of Editors, director of the Institute for Philosophical Research, and author of numerous works (e.g., *How To Read a Book, Philosopher at Large*) that aim to make philosophy accessible to an interested, reasonably educated public. Mortimer Adler has not succumbed to the temptation of trying to impress his fellow scholars. Unlike many academic philosophers, he has always taken the *teaching* of philosophy seriously.

Aristotle for Everybody is somewhat misleadingly subtitled *Difficult Thought Made Easy*. If by "easy" we mean "requiring no effort," then this work is not easy. It is nevertheless true that any conscientious reader who understands the English language will reap benefits from this marvelous book. I don't mean by that simply what many reviewers do when they say such things about a book, namely, that they agree with all of it. Aristotle's ideas are controversial and in some areas I think he is wrong. But Aristotle—unlike most contemporary philosophers who are guided mainly by a trend in philosophy that amounts to purely critical thinking—engaged in the important task of trying to answer inescapable questions.

What most philosophers teach today is to question *everything*. So far, good enough. They stop there, however, leaving the impression that everything is necessarily doubtful, questionable, unreliable; that our minds are really incapable of coming to grips with the challenges of human living. Aristotle was a better teacher than those who leave this impression. He realized the ultimate silliness of this negativism—a silliness exhibited by the very idea. To proclaim that we cannot make sense of things is, after all, a very queer notion, since it inadvertently tries to make sense of things. Aristotle avoided this paradox by taking on the difficult task of going beyond the questioning stage and seeking understanding. Moreover, Aristotle, as Adler demonstrates in very clear language, managed to reach understanding on just those fronts where contemporary schools of philosophy—Existentialism, Anglo-American linguistic analysis, Oriental mysticism, neo-Marxism—make it appear that none can be reached.

Consider the common idea that living for the present, never minding the future, is a very fine policy indeed. Aristotle found this to be an impossible idea. As Adler notes,

> Socrates, who was Plato's teacher as Plato was Aristotle's, said that an unexamined life is not worth living. Aristotle went further and said that an unplanned life is not worth examining, for an unplanned life is one in which we do not know what we are trying to do or why, and one in which we do not know where we are trying to get or how to get there. It is a jumble, a mess. It is certainly not worth examining closely.

A brief review should not try to explain or even outline a fine book like *Aristotle for Everybody*. Let me just say that anyone with a bit of self-discipline and some desire for self-improvement will find this book rewarding. It takes some work, but it is not all that difficult to find reward—for example, in Adler's clear explanation of the controversy about whether everything is changeable or static. Aristotle, with Adler's help, makes sense out of the relationship between change and permanence. It would be equally rewarding to have on hand a plain discussion of that ancient controversy about the nature of moral goodness or, to put the problem another way, what it means to live one's life well or commendably. As Adler explains, for Aristotle,

> "The one right plan for achieving happiness or a good life is . . . a plan that involves us in seeking and acquiring all the things that are really good for us to have. . . . Since natural needs, based on our common human capacities and tendencies, are the same in all human beings, what is really good for any one person is really good for any other."

It may sound shocking to read this in an age when many think that what is right and good is purely arbitrary or just a matter of what you or I feel or wish. When we consider, however, that our age is not entirely comfortable with contemporary answers to the question of what is the human good (personal, social, political, aesthetic), then taking a closer look at this initially shocking view can make excellent sense.

Another discussion in Adler's book should be of particular interest to Americans. This is the fine section on happiness. The Declaration of Independence mentions each person's inalienable right to pursue it, but the term "happiness" has acquired a meaning—under the influence of some 18th and 19th century philosophers—that makes a shambles of Jefferson's idea. Now we tend to mean by "happiness" something like pleasure or satisfaction—"I am happy with this gift," or "Are you unhappy with your present job?" But the inalienable right to pursue pleasure or satisfaction is not what the Founders had in mind. Instead, the term in our most important political document reflects their familiarity with ancient Greek philosophy. To wit, happiness for the Greeks is the good life, the life lived successfully by a being such as man, a rational, choosing being. This means that happiness comes from living a life suitable to the kind of beings we are, not from haphazard pursuits of pleasure or thrills. Yes, we have the right to pursue our happiness; this is not, however, some floating, ambiguous, pleasure-craving life but one carefully concerned with doing well at the task of living a *human* existence.

This portion of Adler's presentation of Aristotle's ideas is worth emphasizing because America's original political system has been under attack from all sorts of circles for stressing human happiness. Marxists, political elitists, and others who have interpreted happiness as if it meant momen-

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tary pleasure have managed to ride roughshod over the American political system by ridiculing it. But properly understood, the emphasis in that system on human happiness does not lend itself to ridicule. As Adler points out, "No one, if asked whether he wants happiness, would say, 'No, I want misery instead.'" But this last cannot mean "No, I want a serious, nonfrivolous life instead," which is what it would have to mean if happiness meant simply pleasure.

Apart from some of the particular benefits to be reaped from reading *Aristotle for Everybody*, there is also the general joy to be had from coming to know a great thinker who has exerted considerable influence over Western civilization. Some think Aristotle is outmoded and useless. That is quite untrue—and Mortimer Adler's book can demonstrate that clearly. It is a prejudice without foundation to believe that only the latest bit of pseudo-wisdom—coming from pop thinkers like Robert Ringer or Alvin Toffler or John Kenneth Galbraith—could impart valuable information. It stems from a view itself promulgated by some philosophers, namely, that the mere passage of time ushers in improvements in human thought and life. But to accept such a progressivist view can spell considerable loss to us. We will ignore the wisdom of an Aristotle, for example, by following its practical implications. I am afraid it accounts for the dismal state of intellectual affairs in which the name Aristotle brings to mind not a great Greek philosopher, but a recently departed wealthy Greek shipping magnate.

Most college graduates have studied a bit of philosophy. The ones I meet recall it with horror. It is probably because they were not taught the subject matter in the manner of Mortimer Adler, patiently, respectfully, with reverence, and without the belief that obscurantism is or can convey the impression of profundity.

Tibor R. Machan is a senior editor of *Reason* magazine and educational programs director of the Reason Foundation. His latest book is *Human Rights and Human Liberties: A Radical Reconsideration of the American Political Tradition.*

On View

Things that go bump

DAVID BRUDNOY

BIRDS DO IT (HITCHcock's do); bees do it (*Swarm*); even educated fleas do it (actually, ants, *Them*); let's do it, let's—scare the bejabbers out of the audience. If not nearly so *poetic* as falling in love, jumping in terror is probably just about as much *fun*, in the short run, at least, and certainly good box office. We've fallen on lean times in the horror flick category of late, reduced to the tongue-in-cheek (*Invasion of the Body Snatchers*), to the assaults by toothy beasties from the deep (*Jaws*; *Jaws II*; *The Deep*; *Orca, the Killer Whale*; *Tentacles*), to the campy (*Love At First Bite*, with another, richer *Dracula* about to pierce our jugulars in a month or so): we haven't much of the good old shrieky stuff on screen and it's much missed.

The occult is always dicey, given that for every outstanding shlock masterpiece like *The Exorcist* or *Carrie* we are punished for our sins of enjoyment with a deluge of abominations like *The Omen* and *Damien: Omen II* and *The Heretic: Exorcist II* and *The Fury* and endless spin-offs of spin-offs. And the mad psycho lurking in the blind lady's closet (*Wait Until Dark*) becomes in our time some nameless loutish killer eliminating everybody in sight in the current *Winter Kills* (which loosely, very loosely, plays on the JFK assassination and subjects us to one of the Bridges boys as something of a Teddy and John Huston as something of an Old Joe), or a Christopher Plummer peering through a keyhole in *The Silent Partner* and telling an oafish Elliott Gould that one day he, Gould, will come home and find him, Plummer, on the other side of the door and then he, Gould, will wish that he, Gould, had never been born. Some inspired moments and then—and then, fizzle. They just aren't making them like they used to. But you've heard that before.

We are told by the true believers that science fiction (never, please, "sci fi") is a far rarer commodity on screen than we goyim know, that most of the space suit stuff is mere technological masturbation and doesn't partake in the least of the essential quality of the genuine article. I don't know about that but I do know that there's a paucity of terror in cinema space adventure. Nothing was frightening or meant to be frightening in *Star Wars*, nothing really eerie survived all the contrived religiosity and ponderous philosophizing of *Close Encounters*, and in the major space adventures this year (*Battlestar Galactica*, recycled from the TV pilot episode, shorn of its commercials, and snipped here and there to fit the average three-year-old's attention span; and *Buck Rogers in the 25th Century*, intended originally for television but dumped into theaters for a quick zillion bucks before returning to the small screen) the fright level is approximately that experienced when reading the Yellow Pages: Cylons, indeed, and assorted tin woodmen of the would-be robot variety. It is very depressing.

What makes a good horror film? We ought to recognize on screen some plausible villain whose evil could touch us tomorrow; or we ought to see something, or some things, so hideous that we ask our companion to sleep over (and not for kicks); or we ought to be yanked into the unknown where our worst suspicions about tomorrow are confirmed. This trio of possibilities just about exhausts the options. Which leaves us *Halloween*, *Dawn of the Dead*, and *Alien*. Each is a remarkable example of the horror genre, each is gross, each is gapingly flawed, and each is uneasily forgotten, if forgotten at all. Come let us be terrified together.

Halloween is a little 1978 item that developed a cult following late last year but awaited the early Spring to find distribution outside New York. It will be trotted out henceforth every Halloween for years, and if you missed it a few months ago you'll be able to catch it shortly. Do.

Halloween is vivid proof that super horror flicks are still being made in the grand tradition, without occult junk plunked on for atmosphere, and with a horrible killer whom you will quite eagerly consign to the ranks of the utterly-without-socially-redeeming-value. The movie begins Halloween night, 1963. A six-year-old boy named Michael watches his teenage sister smooching with her boy friend. When nibble turns to the real thing upstairs, the child turns to the kitchen where he pulls out a butcher knife. After the boyfriend has satisfied his lusts—we must try to understand the attitude of the little puritan in our midst—and leaves, the tyke puts on his holiday mask and carves up his sister.

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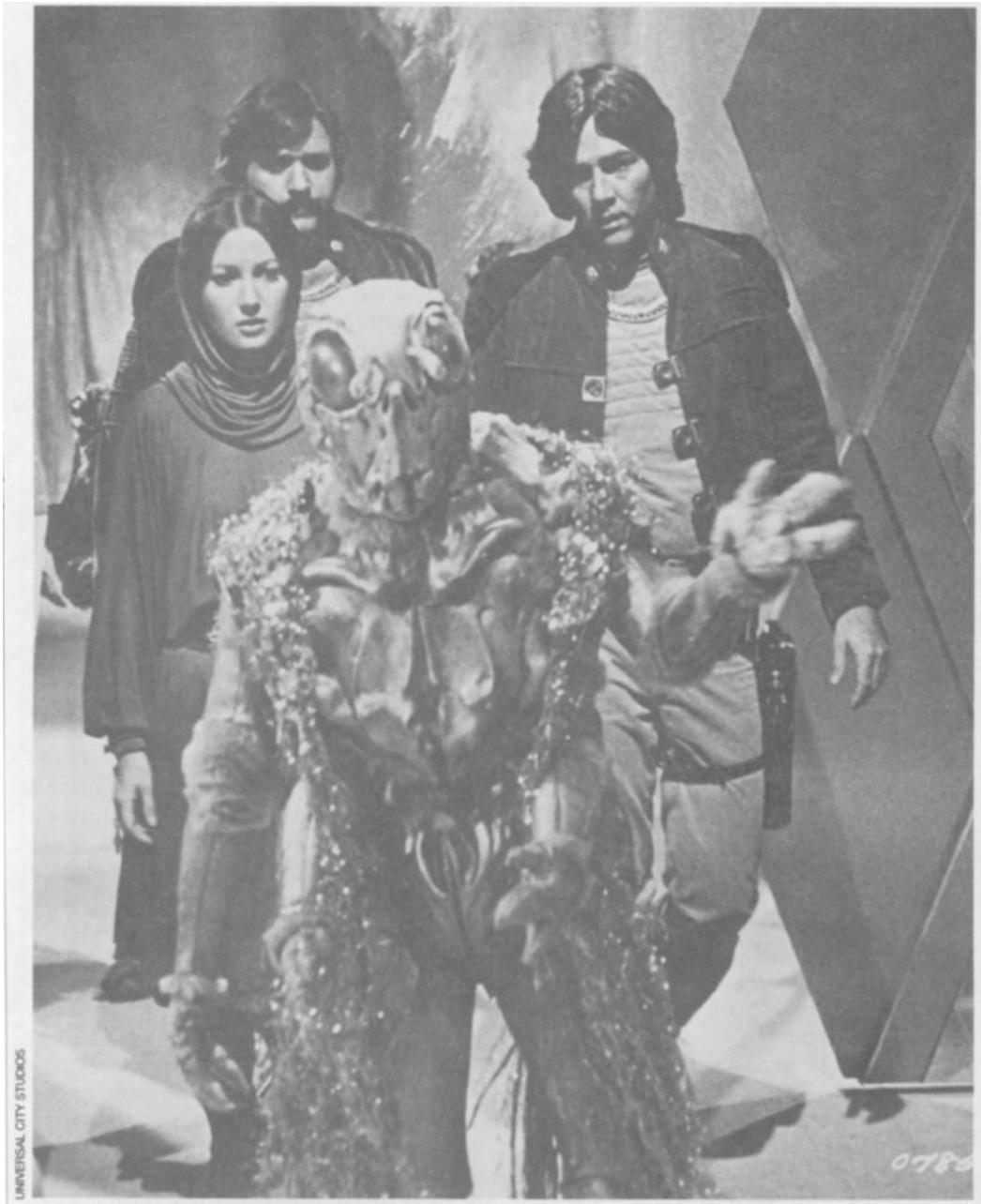

"The film version of *Battlestar Galactica* is recycled from the TV pilot episode, shorn of its commercials, and snipped here and there to fit the average three year old's attention span."

Shift now to 1978, to an insane asylum where Michael has been living, in the opinion of his shrink (Donald Pleasance) hopelessly insane. Michael escapes, however, and returns to the nice middle-American town where he first played chop chop with Sis, and we're off. We are introduced at this point to Michael's sister's latter-day incarnations, mindless little ladies in their mid-teens who do what nature intended and who also babysit. Babysitting is as American as apple pie and so, Michael must believe —we never see all of Michael and he says nothing, though he breathes heavily, very, very heavily—is sleeping around. One by one, on Halloween night, Michael eliminates teenagers until only one (Jamie Lee Curtis, Tony Curtis's proudest achievement) remains. There is a diverting trivia aspect to the choice of Jamie Lee Curtis as the heroine of this piece: she is Janet Leigh's daughter, too, and *Psycho*'s shower scene, which took care of Janet Leigh fairly early on, is certified Classic.

I wouldn't give out more details at this point because the film is absolutely lost without its surprises. Director and co-screenwriter John Carpenter has a gimlet eye for the macabre and a delicious sense of timing. This film is damn near choreographed in its dramatic turns: Michael pops up almost but not quite where you would expect him and he, for all that he is "crazy," has a sense of humor, too. One example will have to do: when Michael moves in for the slaughter on one of the babysitting brigade, he must first snuff out her boyfriend, which he does in the kitchen, hanging him neatly on a hook, and then, heavily breathing, ascends the stairs in a sheet, carrying a beer. Our next to die thinks her honey has quite caught the spirit of the holiday and she welcomes him eagerly into the bedroom, cold beer in hand. It is a cold but not a brewed thing that next enters her. You see the point. No doubt she does, too, just before it enters her for the first of several plunges.

Now, oddly enough, the anti-sex attitude of Michael infuses the whole picture. The lay-abouts are murdered and the virgin, Jamie Lee, survives, at least she survives to the inconclusive end of *Halloween*; we are not quite so certain that Michael is gone forever, and were I John Carpenter and in need of bones to throw the IRS, I'd be scratching out a sequel this very minute. This 1978 gem is a movie that is painful to *hear*, the dialogue having obviously been the least of Mr. Carpenter's concerns, but it is transfixing. To see. To sit in the dark, heart thumping madly, eyes glued to the screen wondering from which corner Michael will next spring, imagining, and it's no idle thought, how many such nuts there are in *your* town, ready without benefit of seeing *Halloween* to do a Michael. When those beach pictures were the craze we learned a lot about sharks, especially that they are the perfect eating machines, compelled forever to move or die, drawn to blood from miles away, prone to bite anything, *anything*: we were instructed by publicity flacks and scientists alike that the purpose of a shark is to use its jaws. The purpose of *Halloween* is exactly the same: to bite us, to gnaw away at us until we (figuratively) die of fright. The shark is no more a summa of the animal kingdom than is *Halloween* of the fright genre. Take a friend.

Dawn of the Dead is horror not of the plausible sort,

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not the kind that could touch us tomorrow (unless our tomorrows are conditioned by strong belief in Haitian voodoo). This is George A. Romero's colorful sequel to his 1968 black and white *Night of the Living Dead*. In the first installment the zombies terrorize a few people in an isolated village; in the coming third installment, at least tentatively titled *Day of the Dead*, they inherit the earth. Here, in their *Dawn*, they're winning but still resisted by what remains of the living living. We are to know of course that when there's no more room in Hell the dead will walk the earth. That is told to us fairly early in the film and golly whiz it sure seems like it. Just why the living dead are blueish we aren't told, but they are recognizable not only by their facial color but also by their lumbering walk, and by their appetite: they have a really annoying preference for leg or arm or shoulder or neck or head of the living living, preferable bitten off *en passant*. The living living can get rid of a living dead only by plugging them in the head; any bullet will do.

Dawn wastes no time with exposition. We start in the middle of the stream, as it were, at a Pittsburgh TV station where the rational ones are trying to do a symposium of sorts about zombie disposal. Quickly we are yanked off to a lower-income housing project where throngs of the living dead gobble cops and other assorted passers-by, and then, with three men and a woman (David Emge, Ken Foree, Scott H. Reiniger, and Gaylen Ross: Romero has neither budget nor need for stars) who flee in a helicopter and land at a shopping center. To which, alas, a veritable army of the living dead have come, because it is a place that had great meaning in their lives. That is the film's one joke, intoned by one of the living living, and it is the encompassing conceit of the whole film. You see, these zombies are our very own friends and relatives, unsnug as bugs in their earthy rugs, come to eat us, and where better to lurch around than at America's greatest contribution to the art of finding happiness through materialism, the gargantuan shopping center.

From then on we groan through acts II and III of this neo-Wagnerian opera of impending doom. Act I is the feast of the zombies, and Act II is the revenge of the living, Act III the intrusion of the bikers and the stand-off to propel us on to the third, as yet unmade, movie. In Act II the four living living barricade themselves inside the shopping center, rummage through the unlimited store of goodies and play house, eliminating a few hundred (thousand?) living dead in a carnage of catsup-blood. The viewer must prepare himself for some pain as he listens to the living living speak, a perhaps minimal price to pay for the two hours of unending carnage that we have come to experience. In Act III some inventive Hell's Angelic slobs come roaring up on their bikes, make war on the zombies, and then precipitate a territorial imperative sort of battle from our four good guys. This quickly undoes the neatly barricaded partitioning of the shopping empire and we lose two of our friends and fly off in the 'copter with the two remaining. *Dawn of the Dead* is preposterous horror. We *know* the dead don't come back to sup upon us. But its loony idiocy is its charm, if charm can be used in this situation. *Dawn* plays its one trump card again and again, grinding our noses in our own credit card ethic, and requiring that we put up with nauseating slaughter or get up and leave. I wanted to get up and leave from about the fifth minute of the film, and I couldn't. Some dark, foul corner of my mind compelled me to stick with it to the last splattered brain oozed onto the shiny shopping center floor, till the last gobbled up viscera went down a zombie's maw, till the bitter, godawful end. It is the horror of horrors that this crazy, monstrous thing demands such attention. Isn't this what Sam Peckinpah has always known (and once so cunningly turned into movies) about us? That we are a people who with one large chunk of ourselves literally thirst for blood? *Dawn of the Dead* is sleaze and it is unimaginably successful at making sleaze work.

At last, *Alien*, the current rage on the screen, and the best exemplar in years of the third type of successful horror film, that which impels us into the unknown, there to confirm our most abiding apprehensions about the shape of things to come.

Alien is the most expensive of the three films and the most "respectable," by which I mean it is the one that requires that we take it seriously and subject it to the usual vocabulary of critical analysis. It is not shlock horror like *Halloween*, or trash horror like *Dawn of the Dead*. *Alien* is a little science and a lot of fiction and it is at base nothing more than a very contemporary, very hip version of the old monster-behind-the-closet-door thriller of blessed memory.

The seven-person crew of the commercial starship "Nostromo" (John Hurt, Tom Skeritt, Yaphet Kotto, Veronica Cartwright, Ian Holm, Harry Dean Stanton, and Sigourney Weaver) are alerted to a signal from some object in space. They are required by a clause in their contract (did George Meany approve?) to respond to any distress sign, and so they land on something of a wasteland planet and find a deserted craft. One of the crewmen (Hurt) discovers what would appear to be a bed of artichokes. Not quite. One of them attaches itself to him, first as a gooey, creepy mass, then as a thing resembling a crab. His pals take him back to the ship where, despite crewwoman Weaver's warning that a proper quarantine must be imposed, he is brought on board. We learn soon enough that this thing has planted its spoor in the poor fellow's breast, and in a scene that must rank with the dozen most terrifying on film, that which has been hatched leaves its temporary human home, squeals a horrible squeal, and darts across the floor. One little Indian—one dead crewman, that is—and one *thing* somewhere on board ship. This is the same fundamental story as *It*, a 1950s horror flick, which was itself a version of Agatha Christie's *And Then There Were None*. The monster, which has the disconcerting tendency to grow very fast and to change shape for no apparent reason other than sheer perversity, does in six of the crew members (actually it does in five, since one turns out to be a robot, but that's a digression and you'll find it a pleasing interlude). One of the crew members survives.

The story is simple, even simplistic, and everything really is weighted on the side of the thing, who, one of the characters tells us, is a perfect thing indeed, "unclouded by conscience or delusions of morality." You get a hint, in that, of why such movies do best by severely limiting the chatter and obsessively dwelling on the terror. Whatever the thing's conscience, clouded or unclouded, it, like the living dead in Romero's film, has a taste for people. The excitement comes from one implicit and two explicit sources. We wonder a) who will be next, and b) how will the next be zapped. And, under the surface, we pon-

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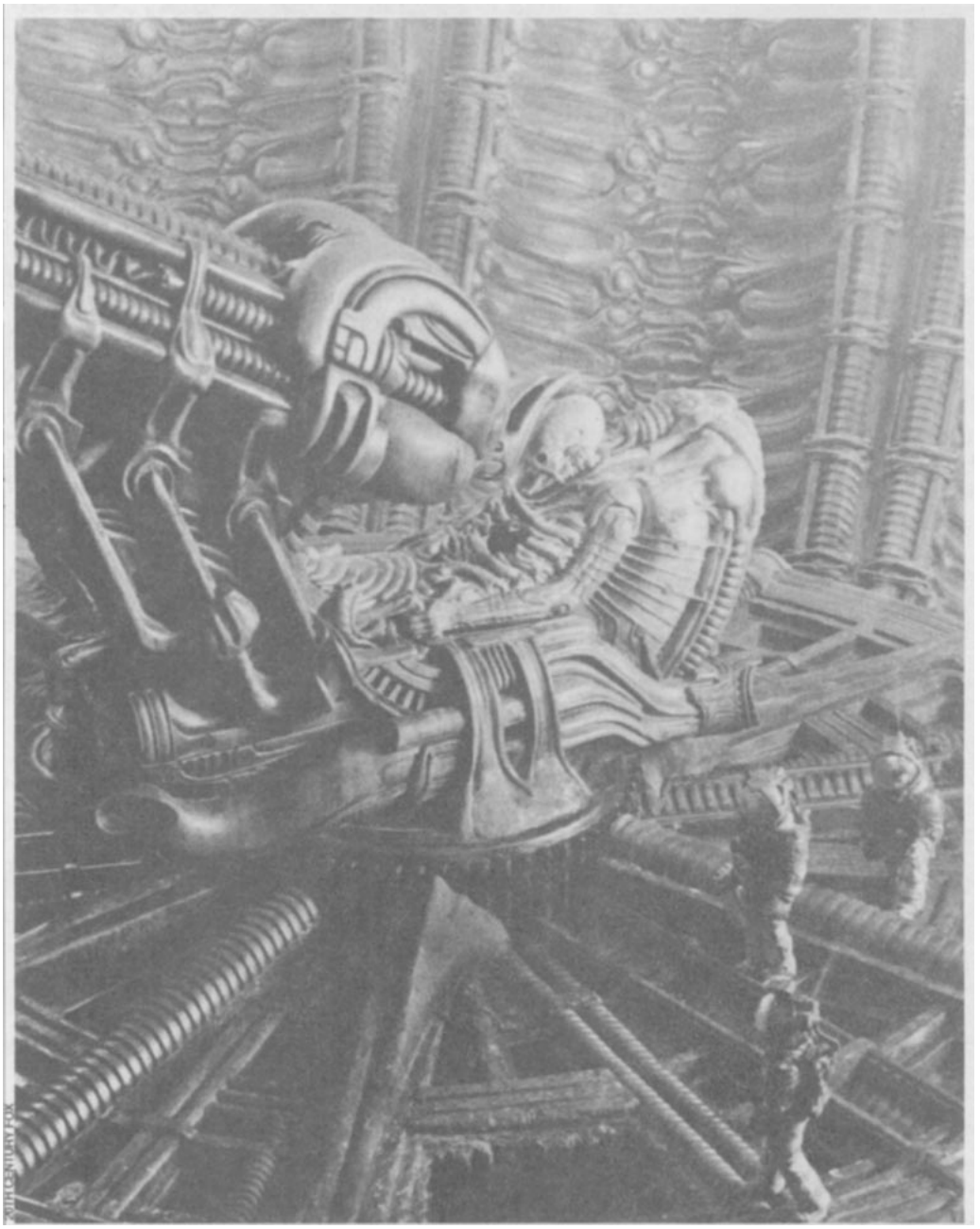

"Technically *Alien* holds up beautifully, but at base it is nothing more than a very contemporary, very hip version of the old monster-behind-the-closet-door thriller of blessed memory."

der the implications of all that fooling around out in space, all that messing around in the sky, all that folderol (as in "if we can put a man on the moon why can't we develop an engine that doesn't guzzle gas?") of the civilian still unsure about, even hostile to, the NASAish adventures. I write this just shortly before Skylab is expected to fall to earth, and though you'll read it after it has fallen, you will perhaps recall that otherwise serious people back in June were getting up psychic parties to *will* Skylab not to fall. Now do you understand why something like *Alien* so closely touches our soft spots? What the hell *are* we doing up there? What on earth—actually, what *off* earth—are we going to bring back down here to contaminate us? If we can't rescue the *Mayaguez* how'll we do against *them*? These are not the questions only of primitives in the red clay country; they are apparently sober, certainly earnest, questions of our generation, and a neo-gothic horror tale like *Alien* plays so ideally into our paranoias; hell, it plays into our *legitimate* fears as well.

Technically *Alien* holds up beautifully. The "Nostromo" is a gadgeteer's dream ship, all blinking lights, omniscient computer ("Mother"), zippy corridors, sleep pods for long space travel snoozes, icky processed food for nourishment, plush seats and hundreds of sleek buttons and knobs and whooshy things. It is, as a cinema space ship, ever so much more believable than the flying city of *Battlestar Galactica*, and if not as awe-inspiring as the flying world revealed at the end of *Close Encounters*, at least we spend two hours on board it, whereas in the original version of *Close Encounters* (a revised version is coming soon) we barely got in the front door. We are in the presence of a handful of fine actors and a couple of yeomen, we don't quite *care* about any of them since they are so sketchily drawn as individuals but we certainly groan when one of them expires of terminal Thing, and if we are overdrowned in Dolby and stretched to the limit with the sameness of the expectation between slaughters we are unquestionably rewarded for our patience by a half dozen of the most hideous deaths any voyeur could want.

Alien is unforgiveably sloppy in many ways. It plays by no rules; it makes its characters do absurd things like take solo expeditions through dangerous territory on board the ship when it is manifest that the buddy system is essential to survival; it ladles out a glorious world of ultra-sophisticated machinery but persons the "Nostromo" with a crew too dumb to make the best of the circuitry; it even requires of the gorgeous Miss Weaver that she strip down to her panties for no immediately intelligible reason; in fact *Alien* doesn't show much concern for anything but shock. But of that there is an abundance to last for days. *Alien* is future shock, and when you sit down and think about this item for a few minutes you'll understand why the Luddites are returned to earth as the anti-nukies and why Ralph Nader and his clones are riding the range again. The nuclear age is the space age and man it is spooky. ❑

LR's film critic also reviews for WNAC-TV (CBS) and *Boston Magazine*, and hosts "The David Brudnoy Show" on WHDH-AM. © Copyright David Brudnoy 1979.

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(continued from p. 77)
deregulating our domestic economy—and if the cost to American consumers for energy-related purchases is an extra $32 billion, this means that *combining* a noninterventionist foreign policy with a *laissez-faire* energy policy would save taxpayers and consumers, on net, *more than $66 billion a year.*

Is this the "threat" which we have to avoid by starting a war? Is this the bogeyman which has been used to frighten the American people? If so, it is about time that we called for a halt to this dangerous nonsense.

Both the Left and the Right have valid concerns in this country, even though they are often confused. This is illustrated symbolically by two special issues of magazines devoted to the themes discussed in this issue of *The Libertarian Review:* the June 9, 1979 issue of *The Nation,* devoted to "Intervention," and the February 2, 1979 issue of *National Review,* devoted to "Nuclear Power."

The Nation contains some vitally important articles detailing the case against intervention in arena after arena. But speckled throughout the issue are the common leftist concerns: the call to adjust to an "era of limits," the call for more regulation of the oil industry, the hints that capitalism stands behind interventionism, when the truth is that here, as elsewhere, the American business community is split. But the overriding concern in this issue of *The Nation* is *peace,* and that is a glorious concern.

National Review has as its authentic concern American prosperity, the West's economic vitality, and the supplying of energy needs for future generations. Speckled throughout are the hawkish sentiments for which *National Review* is justly famous. Wrongheaded though we think *National Review* is in its infatuation with nuclear power, its concern with the prosperity of the American people is an honorable one. That, too, is a glorious concern.

Laissez-faire and peace

The themes of the articles in this issue of *The Libertarian Review* are themes held in common by libertarians everywhere: that we must deregulate and desubsidize everything, letting prices fluctuate freely to reflect real facts of relative scarcity in this country and this world. Deregulation of prices will provide for more domestic energy production, by making it profitable for Americans to produce more energy of diverse kinds. Economists know that there is no prospect of our running out of oil or natural gas: resources of both are more plentiful than can be imagined. Reserves that can be recovered economically is another question: the fact is that there are various categories of reserves of these resources. There are reserves that can be recovered *now* at existing prices and at existing levels of technology. But as prices gradually rise—as they should, if resources are so scarce—and as new technologies invented by the minds of men and women are born, extracting other energy supplies becomes more and more a likely prospect, a prospect to banish fears that we are "running out of everything," as the scaremongers tell us to justify more power for themselves: power over our lives, our economy, and our world.

We must deregulate not merely prices, but the *entire energy industry,* root and branch. We must abolish the special monopoly privileges of public utilities which hold us in feudal subjugation, permitting anyone to compete for the right to supply energy—any kind of energy which does not threaten the innocent with violations of their rights—at any mutually agreeable terms. In energy as elsewhere, we must fiercely defend what Robert Nozick has called "capitalist acts between consulting adults."

Alternative technologies must compete in a free market of technologies in the same way as ideas must compete in a free market of ideas, and once more *laissez faire* must come to mean the diffusion of economic power across an expanding nation. Solar power must be given a chance by ending the government-imposed roadblocks which stand in its way. Other kinds of technology too, must flourish, as human imagination reigns. In all cases must the government be kept out of things: centralization in energy spells death for a free society. An example of government bungling most recently is the case of gasohol, which some people now think is a reasonable substitute for gasoline, relying as it does on the proven American capacity to produce grain and other substances which can be made into alcohol. But no sooner has it appeared that gasohol might be *feasible,* than the government tries to make it *compulsory.* That is the logic of government, and if that monstrous institution is permitted to continue its multitudes of mistakes—really, what *has* it done right in the last century?—we will all sink together.

Coupled with this visionary but practical energy policy must come a noninterventionist foreign policy. Businesses must invest at their own risks in foreign countries, not counting on the State Department to bail them out of crises. They must bear their own risks, and see those objective risks reflected in *prices* which consumers pay, rather than socialize risk through foreign policy, which necessarily distorts information—a foreign policy theme which analysts should begin to borrow from the economic writings of Friedrich Hayek. Interventionist foreign policies cause businesses to make dangerous, unstable, and otherwise unprofitable investments. If we move toward a noninterventionist foreign policy, then perhaps we shall have a chance at peace, and the people of the Third World and elsewhere a chance to make lives for themselves unfettered by tyranny backed by American power.

The lessons of this to the Left and to the Right should be crystal clear: each must move further along the lines where they are correct, and abandon half their ideology. Put bluntly, the Left must abandon the false gods of socialism and equality and planning, and the Right must abandon its infatuation with militarism and empire and war. Libertarians here must take the lead, and must above all not allow themselves to be scapegoated or pigeonholed by anyone. They must ignore attacks which have come and will come from the leaders of opinion, Left and Right, and must proudly proclaim, as we have said before so often, their right to their own ideology and movement, and their right to victory. Otherwise the American people will end in a society in which the people riot for gasoline and claw at each other in a scramble for energy made scarce by government policy; in a society cowed by Arab sheiks; in a society threatened by a return to the slavery of military conscription; in a society driven into yet another pointless war. If that is the society we want, then we need only continue on our present course. If we want a society of peace and prosperity, then another course is called for: *laissez-faire,* nonintervention, and opposition to government tyranny and control. Or, what amounts to the same thing, the policy of Liberty. ❑

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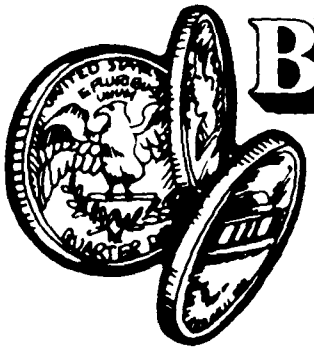

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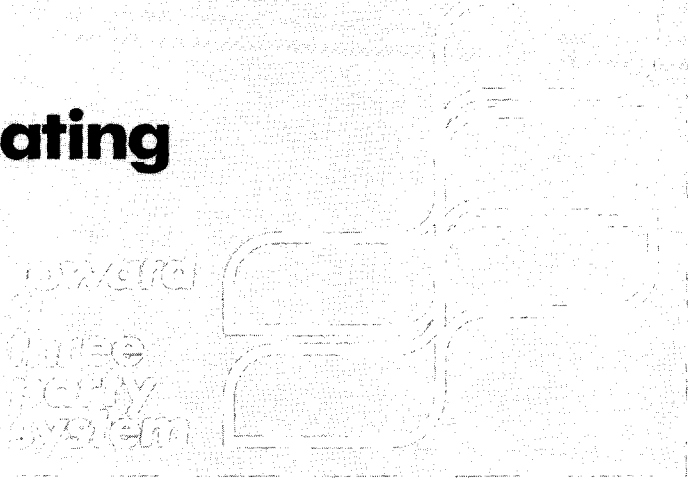

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